STORIES
START HERE

Corus
ENTERTAINMENT

ANNUAL REPORT 2013

NELVANA
A CORUS™ ENTERTAINMENT COMPANY

network

OWN
OPRAH WINFREY NETWORK
oprah.com

MOVIE CENTRAL

HBO
CANADA

THE NEW
953 fresh fm

HBO
CANADA

edgefest

CMT

tln telelatino
NETWORK

Mélanie Watt
Scaredy Squirrel
at the beach

COSMO

spark

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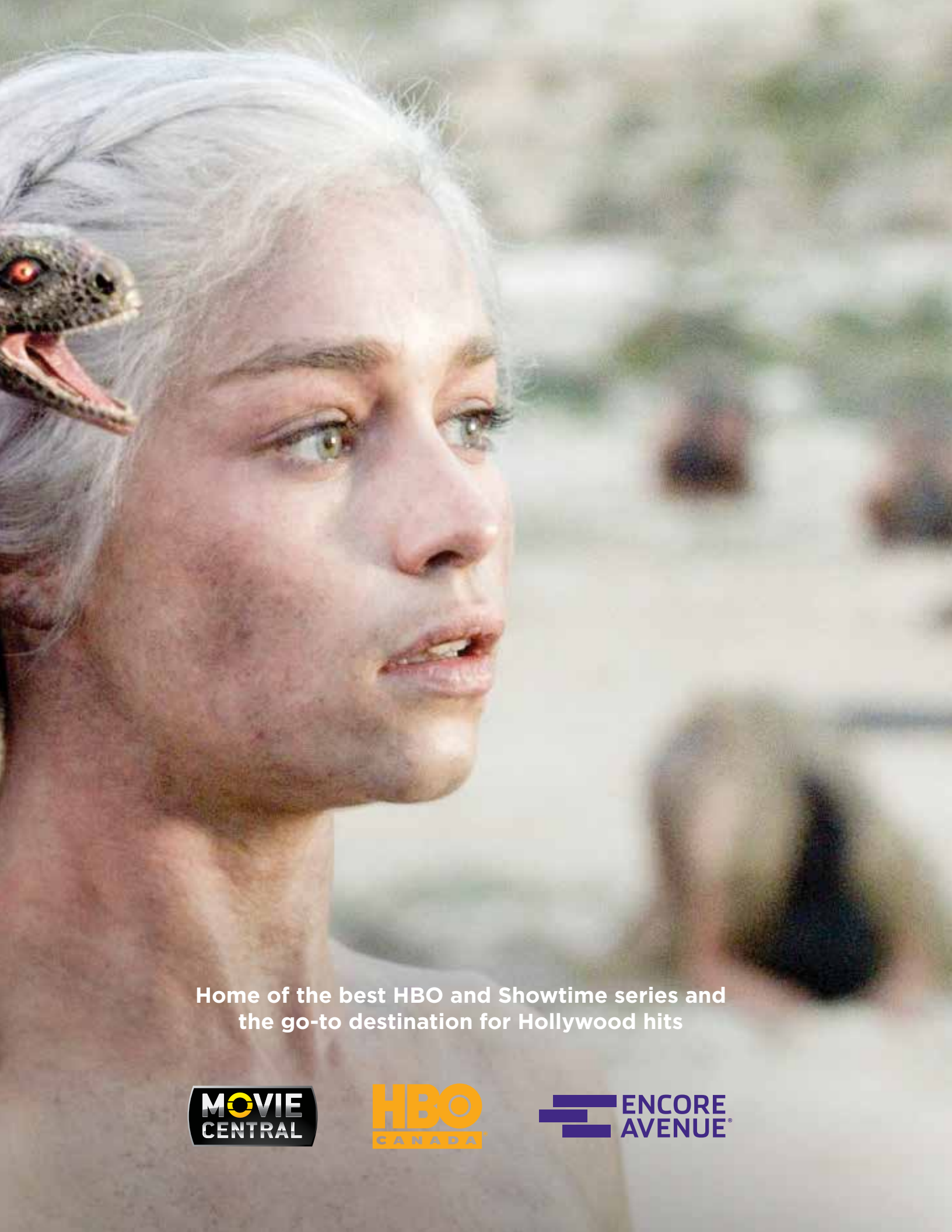
STORIES
WITHOUT
BOUNDARIES



Home of the best HBO and Showtime series and the go-to destination for Hollywood hits

MOVIE CENTRAL

HBO CANADA

ENCORE AVENUE®

BRINGING
STORIES TO
LIFE
NETWORK
OWN
OPRAH WINFREY NETWORK
COSMO TV
movies
abc spark
life just got brighter

Creating engaging original programs for women and families
CMT
sundance CHANNEL
tln telelatino NETWORK
Channel CHEX TV 12 DURHAM
CHEX TELEVISION
CKWS TELEVISION

STORIES
FOR KIDS
OF ALL AGES
Treehouse
nick
CN
CARTOON NETWORK

Connecting with kids and families across multiple platforms

TELETOON

TELETOON Retro

NELVANA
A Corus® Entertainment Inc. Company

KIDS CAN PRESS

BREAKING
STORIES
Talk Radio AM640
102.1 the edge
Q107 Classic Rock
AM730 ALL TRAFFIC ALL THE TIME
CKNW NEWS · TALK AM980
Classic Rock 101
The FOX 99.3
AM 770 CHQR
Q107 Classic Rock
NEW 103.1 fresh FM
Edmonton's FM96 CLASSIC ROCK
greatest hits more 103.9
AM900 HAMILTON'S NEWS TALK LEADER CHML
NEW 95.3 fresh FM
Y108 ROCKMIX 107.5
107.5 CAVE FM TRI-CITIES BEST ROCK
91.5 The BEAT MY MUSIC TODAY
chay today @ 93.1 fm
B101

Local and compelling content delivered everywhere
Country 105
CKRY FM
630 CHED
iNews 880AM
ON RADIO. ON LINE. ON DEMAND.
cisn COUNTRY 103.9FM
92.5 fresh fm
AM 680 CJOB
99.1 fresh fm
POWER 97
AM980
NEWS TALK SPORTS
The Peak 95.1 FM
Greatest Hits 100.5 FM
The Wolf 93.5
CENTRAL ONTARIO'S BEST ROCK
Variety 104.3
HITS, 80S & TODAY
Greatest Hits CJSS 1150
Greatest Hits CKWS 1043
FM96
1460 CJOY
Greatest Hits
Magic 106.1
SoCast
SRM for Entertainment

Message to Shareholders

JOHN M. CASSADAY
President and CEO

At Corus, delivering great value for our shareholders and customers begins with compelling content. Our success in creating and acquiring first-rate content, coupled with our expertise in building great brands, has positioned Corus to compete as a world-class entertainment company.

Our diverse portfolio of assets encompasses highly differentiated specialty television services, three local television stations, pay TV offerings, 37 radio stations in most of Canada's major markets, a renowned production studio, an Emmy® Award-winning animation software company and Canada's largest children's publisher. These diversified assets and Corus' significant investment in digital technology position us well for the future.

In March 2013, we entered into a number of transactions with Bell and Shaw Media to acquire additional assets that will enhance our business, allow us to enter new markets and spur future growth. These transactions, which are subject to regulatory approval, will extend our portfolio of Radio assets into Ottawa, consolidate our ownership of TELETOON and enable us to expand into the Quebec specialty television market with Historia, Séries+ and TELETOON's French-language services. We are excited about the growth potential these assets will bring to Corus.

In addition to our acquisition activities, we made important progress this past year on a number of fronts:

- Net income and basic earnings per share attributable to shareholders were up 8% and 7% respectively, despite challenging year-over-year comparables in our merchandising business and softness in the radio advertising market, which pushed consolidated revenues down 5% and segment profit down 7% for the year
- We delivered strong free cash flow of $154 million
- We refinanced our Senior Unsecured Guaranteed Notes, achieving a 300 basis point reduction in interest rates
- We increased our dividend by 6.25%, yielding a notable return in excess of 4%
- We delivered excellent segment profit margins of 40% for Television and 30% for Radio
- We consolidated our ownership of ABC Spark and divested our non-controlling interest in Food Network Canada, resulting in a gain of $55.4 million ($0.66 per share)

In our Television division, we were successful in increasing specialty advertising sales and subscriber revenue this past year. With an appealing mix of original series and acquired content, our Women's brands delivered impressive ratings and experienced strong advertising demand.

Our newest brand, ABC Spark, based on the successful ABC Family channel in the U.S., has proven to be a great addition to our portfolio of channels since launching in 2012. With its popular and exclusive programming, growing millennial audience and expanded distribution, ABC Spark has played an important role in our portfolio, contributing to our positive year-over-year advertising and subscriber growth.

Two of our flagship brands, YTV and TELETOON, generated increased co-view audiences and we expect to see further growth from these channels in fiscal 2014. In our Kids business, we made gains selling our Nelvana content to international and domestic customers by leveraging our highly attractive library of over 4,000 children's titles. As the market for video-on-demand content grows, we are well-positioned to optimize this trend going forward.

HEATHER A. SHAW
Executive Chair

In our Pay TV business, Movie Central and HBO Canada continue to offer consumers an unparalleled programming experience on multiple platforms. Blockbuster dramas such as HBO's *Game of Thrones* and the critically-acclaimed Showtime series *Ray Donovan*, as well as an exciting lineup of Hollywood hits, contributed to our gain of 20,000 subscribers this year, underscoring a strong consumer appetite for pay television's exclusive premium programming.

Faced with soft advertising market conditions, Radio had a challenging year, however, we did make some inroads. We continued to invest in programming and research to drive audiences. As well, we launched two new Fresh FM stations that extend this adult contemporary brand to a total of four key markets. Despite economic pressures, Radio maintained strong margins and continued to contribute significantly to the Company's exceptional free cash flow results.

REPUTATION FOR EXCELLENCE

Corus' track record for excellence continues to grow on many fronts. In addition to gaining prominence internationally as a strong content producer and partner, we are also building a reputation for our creativity and innovation.

Our broadcast and media facility, Corus Quay, is receiving international recognition for its advanced technology platforms, workplace design and organizational culture. Corus has been ranked among the World's Top 10 Impressive Offices and the Top 10 Coolest Offices in the World by London-based online publications *HUH Magazine* and *Tech City News*.

We are proud of the recognition that our employees have received for their contributions to the industry. Toon Boom received a Primetime Emmy® Award in Engineering for Storyboard Pro, the Company's flagship storyboarding software. Nelvana was honoured with a Daytime Emmy® Award for the Nickelodeon series *Bubble Guppies* and Corus' programming received 21 Canadian Screen Awards from the Academy of Canadian Cinema and Television.

In our Radio business, Calgary's Country 105 and Toronto's Q107 were named Station of the Year in their respective genres at the Canadian Music & Broadcast Industry Awards. Our on-air hosts, CKNW-AM's Bill Good and CHED-FM's Ed Mason, were honoured with RTDNA Lifetime Achievement Awards. Our publishing company, Kids Can Press, received its fifth Governor General's Literary Award for Isabelle Arsenault's *Virginia Wolf* and Corus was also awarded IR Magazine's Best Investor Relations by Sector – Leisure and Media for a second year in a row.

In addition, we are pleased to be recognized as an employer of choice. Corus was selected as one of Canada's Top Employers for Young People and Toronto's Top Employers, both for a third time, as well as one of Canada's Best Diversity Employers for a fifth straight year. Corus was also the recipient of Canada's Greenest Employers award for the third year in a row.

SERVING OUR COMMUNITIES

Corus is committed to giving back to our communities. Each year, our Radio stations raise millions of dollars for worthy local initiatives and, in collaboration with our Television business, these efforts support our corporate philanthropic initiative Corus Feeds Kids.

We are proud to report that in fiscal 2013, we raised over $1 million in cash and food donations, and provided 1,200 volunteer hours for our Corus Feeds Kids campaign. This represents a significant contribution towards our goal of $3 million and 3,000 volunteer hours over three years. We also donated over $2 million in airtime to raise awareness for local food banks as part of our year-round campaign efforts. As a result, we were the recipient of the esteemed Champion Award from the Toronto Daily Bread Food Bank.

THE WAY FORWARD

As we look to the future, we are very much aware of the evolving media landscape and believe we are well-positioned to compete effectively.

Our fully digitized, state-of-the-art broadcast facility continues to give us a competitive edge, allowing us to seamlessly deliver our brands and content on multiple platforms and formats, while responding adeptly to new opportunities as they unfold. In the past year, we have made all of our signals available in High Definition and we continue to aggressively roll out more of our content on VOD platforms.

We are confident that our portfolio of popular brands, great content and multi-platform offerings provide consumers with a rich selection of entertainment choices and play an important role in entertaining and informing Canadians of all ages.

In the coming year, we will maintain an unwavering focus on delivering value to our stakeholders through sound programming investments and executional excellence. Our growth strategy will focus on delivering organic growth by building our core business and, at the same time, expanding through new acquisition opportunities.

In our core Television business, our Women's brands, led by our flagship service W Network, represent our biggest opportunity for growth. From a ratings and revenue perspective, our Women's services had a great year. We believe this portfolio has significant headroom to grow and there is further opportunity to unlock the full potential of this significant market.

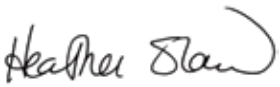
We also see continued growth potential for YTV and TELETOON given their strong co-view appeal, as they provide kids and their parents with engaging family programming, and advertisers with the opportunity to reach this attractive audience. In addition, TELETOON and ABC Spark are attracting young adult audiences and we expect these millennial viewers to be a strong source of growth for us. Our HBO Canada and Movie Central brands offer consumers a great value proposition, and these services have the potential to expand substantially due to the calibre of the premium content that is available to subscribers on multiple platforms.

Capitalizing on the growing worldwide demand for digital content, we will continue to expand our footprint internationally by deploying Nelvana's deep library of brand-name kids content into established and new markets. This represents an important emerging revenue stream.

The significant moves we made in fiscal 2013 to acquire assets from Bell and Shaw Media will provide us with increased growth opportunities and scale as we integrate the new assets into our business and enter two new key markets – Quebec and Ottawa.

In conclusion, Corus' progress in fiscal 2013 has created the foundation for continued success. We have the content, the brands, the technical capabilities and the talent to deliver value to our stakeholders. With our strengths, and with the transformative opportunities that the pending acquisitions bring to our business, the stage is set and the plan is in place for future growth and long-term success.

John M. Cassaday
President and
Chief Executive Officer



Heather A. Shaw
Executive Chair

LIST OF ASSETS

TELEVISION DIVISION

ABC Spark
Channel 12 Durham
CHEX TV – Peterborough
CKWS TV – Kingston
CMT (Canada)
Cartoon Network (Canada)
Cosmopolitan TV
Encore Avenue
Kids Can Press
Movie Central (including HBO Canada)
Nelvana
Nickelodeon (Canada)
OWN: Oprah Winfrey Network (Canada)
Sundance Channel (Canada)
Telelatino (TLN)
TELETOON
TELETOON Retro / TÉLÉTOON Rétro
Toon Boom Animation Inc.
Treehouse
W Movies
W Network
YTV

RADIO DIVISION

British Columbia

Vancouver
AM730 All Traffic All The Time (CHMJ) – AM
CKNW AM 980 (CKNW) – AM
Classic Rock 101 (CFMI) – FM
99.3 The FOX (CFOX) – FM

Alberta

Calgary
News Talk 770 (CHQR) – AM
Q107 (CFGQ) – FM
Country 105 (CKRY) – FM

Edmonton
630 CHED (CHED) – AM
iNews880 (CHQT) – AM
CISN COUNTRY 103.9 (CISN) – FM
The New 925 Fresh FM (CKNG) – FM

Manitoba

Winnipeg
680 CJOB (CJOB) – AM
The New 991 Fresh FM (CJGV) – FM
Power 97 (CJKR) – FM

Ontario

Barrie
chay today @ 93 1 fm (CHAY) – FM
B101 (CIQB) – FM

Cambridge
107.5 DAVE FM (CJDV) – FM

Collingwood
95.1 The Peak FM (CKCB) – FM

Cornwall
Variety 104.5 (CFLG) – FM
101.9 CJSS-FM (CJSS) – FM

Guelph
1460 CJOY (CJOY) – AM
Magic 106.1 (CIMJ) – FM

Hamilton
AM 900 CHML (CHML) – AM
The New 953 Fresh FM (CING) – FM
Y108 (CJXY) – FM

Kingston
CKWS-FM (CKWS) – FM
FM96 (CFMK) – FM

Kitchener
91.5 The Beat (CKBT) – FM

London
AM980 (CFPL) – AM
The New 1031 Fresh FM (CFHK) – FM
FM96 (CFPL) – FM

Peterborough
100.5 KRUZ FM (CKRU) – FM
THE WOLF 101.5 (CKWF) – FM

Toronto
Talk Radio AM640 (CFMJ) – AM
102.1 the Edge (CFNY) – FM
Q107 (CILQ) – FM

Woodstock
More 103.9 FM (CKDK) – FM

OTHER INTERESTS

Fingerprint Digital, Inc.*
KidsCo*
SoCast SRM*

*Assets in which Corus Entertainment has less than a 50% equity position

DIRECTORS

Fernand Bélisle
Member of the Audit Committee

John M. Cassaday
Member of the Executive Committee

Dennis Erker
Member of the Human Resources and Compensation Committee

Carolyn Hursh
Chair of the Corporate Governance Committee
Member of the Executive Committee

Wendy A. Leaney
Member of the Audit Committee

Ronald D. Rogers, CA
Chair of the Audit Committee
Member of the Executive Committee

Catherine Roozen
Member of the Human Resources and Compensation Committee

Terrance Royer
Chair of the Human Resources and Compensation Committee
Member of the Executive Committee
Member of the Corporate Governance Committee
Independent Lead Director of the Board of Directors

Heather A. Shaw
Chair of the Board of Directors
Chair of the Executive Committee

Julie M. Shaw
Vice Chair of the Board of Directors
Member of the Corporate Governance Committee

OFFICERS

Judy Adam CA
Vice President, Finance,
Corus Entertainment Inc.

John M. Cassaday
President and Chief Executive Officer,
Corus Entertainment Inc.

Scott Dyer
Executive Vice President, Strategic Planning and Chief Technology Officer,
Corus Entertainment Inc.

Gary Maavara
Executive Vice President and General Counsel, Corporate Secretary,
Corus Entertainment Inc.

Kathleen McNair
Executive Vice President, Human Resources, Corporate Communications and Chief Integration Officer,
Corus Entertainment Inc.

Doug Murphy
Executive Vice President and Chief Operating Officer,
Corus Entertainment Inc.

Chris Pandoff
President of Corus Radio,
Corus Entertainment Inc.

Thomas C. Peddie FCPA, FCA
Executive Vice President and Chief Financial Officer,
Corus Entertainment Inc.

Heather A. Shaw
Executive Chair,
Corus Entertainment Inc.

corus
ENTERTAINMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the fiscal year ended August 31, 2013 is prepared at November 12, 2013. This should be read in conjunction with the Company's August 31, 2013 audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). All dollar amounts are in Canadian dollars unless specified otherwise. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of the words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

OVERVIEW

Corus Entertainment Inc. ("Corus" or the "Company") commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement, Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus operates through two operating segments: Television and Radio. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating segments. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of animated programming and Corus' ability to continue to provide popular programming.

TELEVISION

The Television segment is comprised of specialty television networks, pay television services, three conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. The Company's multimedia entertainment brands include YTV; Treehouse; Nickelodeon (Canada); W Network; OWN: Oprah Winfrey Network (Canada); W Movies; Sundance Channel (Canada); Movie Central (including HBO Canada and Encore Avenue); Nelvana; Kids Can Press; and Toon Boom. The Company also has a majority interest in CMT (Canada); Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24 (Canada), TeleNiños, TLN en Español, Telebimbi, Cinelatino); ABC Spark; and Cosmopolitan TV; and a 50% interest in TELETOON, TELETOON Retro (English and French) and Cartoon Network (Canada).

Revenues for the specialty television networks are generated from subscriber fees and advertising. Revenues for pay television are generated from subscriber fees. Revenues for the conventional television stations are derived from advertising. Revenues for the content business are generated from licensing of proprietary films and television programs, merchandise licensing, publishing and animation software sales.

RADIO

The Radio segment comprises 37 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach. Revenues are derived from advertising aired over these stations.

ANNUAL SELECTED FINANCIAL INFORMATION

The following table presents summary financial information for Corus for each of the listed years ended August 31:

(in millions of Canadian dollars, except percentages and per share amounts)				% Increase (Decrease)	
	2013	2012	2011[2]	2013 over 2012	2012 over 2011
Revenues	**803.5**	842.3	825.2	(4.6)	2.1
Segment profit[1]	**270.0**	290.0	285.9	(6.9)	1.4
Net income attributable to shareholders from continuing operations	**159.9**	148.7	141.5		
Net income attributable to shareholders from discontinued operations	**—**	—	5.0		
Basic earnings per share attributable to shareholders					
From continuing operations	**$1.91**	$1.79	$1.73		
From discontinued operations	**—**	—	$0.06		
	$1.91	$1.79	$1.79		
Diluted earnings per share attributable to shareholders					
From continuing operations	**$1.90**	$1.78	$1.72		
From discontinued operations	**—**	—	$0.06		
	$1.90	$1.78	$1.78		
Total assets	**2,192.6**	2,081.5	2,113.6		
Long-term debt	**539.0**	518.3	600.8		
Cash dividends declared per share					
Class A Voting	**$0.9900**	$0.9175	$0.7300		
Class B Non-Voting	**$0.9950**	$0.9225	$0.7350		

(1) As defined in "Key Performance Indicators" section.
(2) Restated to exclude results from discontinued operations for fiscal 2011.

RESULTS OF OPERATIONS

The following table presents summary financial information for Corus' operating segments and a reconciliation of net income to segment profit for each of the listed years ended August 31:

(in thousands of Canadian dollars, except percentages)			% Increase (Decrease)
	2013	2012	2013 over 2012
Revenues			
Television	**619,850**	650,949	(4.8)
Radio	**183,691**	191,327	(4.0)
	803,541	842,276	(4.6)
Direct cost of sales, general and administrative expenses			
Television	**371,071**	388,811	(4.6)
Radio	**128,543**	133,900	(4.0)
Corporate	**33,915**	29,586	14.6
	533,529	552,297	(3.4)
Segment profit[1]			
Television	**248,779**	262,138	(5.1)
Radio	**55,148**	57,427	(4.0)
Corporate	**(33,915)**	(29,586)	14.6
	270,012	289,979	(6.9)
Depreciation and amortization	**26,903**	25,639	
Interest expense	**46,332**	52,269	
Broadcast license and goodwill impairment	**5,734**	—	
Debt refinancing	**25,033**	—	
Business acquisition, integration and restructuring costs	**7,343**	4,166	
Gain on sale of associated company	**(55,394)**	—	
Other (income) expense, net	**8,553**	(5,487)	
Income before income taxes	**205,508**	213,392	
Income tax expense	**39,759**	57,241	
Net income for the year	**165,749**	156,151	

[1] As defined in the "Key Performance Indicators" section.

Net income attributable to:			
Shareholders	**159,895**	148,681	7.5
Non-controlling interest	**5,854**	7,470	(21.6)
Net income for the year	**165,749**	156,151	6.1

FISCAL 2013 COMPARED TO FISCAL 2012

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2013, please refer to Corus' Fourth Quarter 2013 Report to Shareholders which was filed on SEDAR on October 24, 2013.

The following discussion describes the significant changes in the consolidated results from operations.

REVENUES

For the year ended August 31, 2013, revenues of $803.5 million represented a decrease of 5% from $842.3 million last year. On a consolidated basis, advertising revenues decreased by 1%, subscriber revenues were comparable with the prior year and merchandising, distribution and other revenues decreased by 22%. Refer to discussions of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended August 31, 2013, expenses of $533.5 million represented a 3% decrease over the prior year and are attributable to lower costs in the Television and Radio segments, offset by an increase in the Corporate segment. Refer to the discussions of segmented results for additional analysis of expenses.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense of $26.9 million for fiscal 2013 represented a $1.3 million increase over the prior year, primarily as a result of additional amortization of intangibles.

INTEREST EXPENSE

Interest expense of $46.3 million for fiscal 2013 was $5.9 million lower than the prior year. This resulted from lower average interest rates on outstanding debt as a consequence of the issue of $550.0 million, 4.25% Senior Unsecured Guaranteed Notes due February 11, 2020 (the "2020 Notes") and repayment of $500.0 million, 7.25% Senior Unsecured Guaranteed Notes due February 11, 2017 (the "2017 Notes"). The effective interest rate on bank loans and notes for the year ended August 31, 2013, was 5.8% compared to 7.0% in the prior year.

DEBT REFINANCING

In fiscal 2013, the Company issued $550.0 million principal amount of 2020 Notes and redeemed the existing $500.0 million principal amount of 2017 Notes. The redemption of the 2017 Notes resulted in the Company recording a pre-tax debt refinancing cost of $25.0 million. The components of this cost include the early redemption premium of $18.1 million and the non-cash write-off of unamortized financing fees of $6.9 million.

GAIN ON SALE OF ASSOCIATED COMPANY

In fiscal 2013, the Company recorded a gain of $55.4 million on the disposition of its non-controlling interest in Food Network Canada to Shaw Communications Inc. ("Shaw"), a related party subject to common voting control.

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

In fiscal 2013, the Company undertook a restructuring to realign the organizational structure and incurred certain costs related to pending business combinations. This resulted in the Company recording a charge of $7.3 million in fiscal 2013. In fiscal 2012, the Company incurred restructuring and transaction costs of $2.3 million and $1.8 million, respectively.

OTHER (INCOME) EXPENSE, NET

Other expense for fiscal 2013 was $8.6 million compared to income of $5.5 million in the prior year. The decrease relates to impairment charges on certain equity investments of $7.1 million and lower equity earnings from investees in the current year, as well as an accounting gain of $2.4 million in the prior year resulting from the remeasurement to fair value of the Company's 50% interest in Toon Boom Animation Inc., which was held prior to the acquisition of the remaining 50% interest on March 1, 2012.

INCOME TAX EXPENSE

The effective tax rate for the year ended August 31, 2013 was 19.3% compared to the Company's 26.5% statutory rate. The significant decrease in the effective tax rate reflects the fact that a portion of the gain realized on the disposition of the Company's non-controlling interest in Food Network Canada was not subject to tax and also reflects the utilization of capital loss carryforwards for which no deferred tax asset had previously been recognized.

NET INCOME AND EARNINGS PER SHARE

Net income attributable to shareholders for fiscal 2013 was $159.9 million, as compared to $148.7 million last year. Earnings per share attributable to shareholders for the fiscal year were $1.91 per share basic and $1.90 per share diluted, compared with $1.79 per share basic and $1.78 per share diluted in the prior year. Removing the impact of the broadcast license impairment charge of $5.7 million ($0.05 per share basic), the debt refinancing charge of $25.0 million ($0.22 per share basic), the gain from the disposition of Food Network Canada of $55.4 million ($0.66 per share basic), business acquisition, integration and restructuring costs of $7.3 million ($0.06 per share basic) and investment impairment charges of $7.1 million ($0.07 per share basic) results in adjusted net income attributable to shareholders of $138.6 million ($1.65 per share basic). Net income attributable to shareholders for the prior fiscal year includes a charge due to an income tax rate change of $6.8 million and business, acquisition, integration and restructuring costs of $4.2 million. Removing the impact of these items results in an adjusted basic earnings per share attributable to shareholders of $1.90 per share in the prior year.

The weighted average number of shares outstanding (basic) for the year ended August 31, 2013, was 83,860,000, which increased in the current year due to the issuance and exercise of stock options and the issuance of shares

from treasury under the Company's dividend reinvestment plan, offset slightly by shares repurchased under the Company's Normal Course Issuer Bid.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX

Other comprehensive income for fiscal 2013 was $3.1 million, compared to a $2.7 million loss in the prior year. This increase of $5.8 million resulted from a higher unrealized foreign currency translation gain, an increase year-over-year on the unrealized change in fair value of available-for-sale investments and from actuarial gains on defined benefit plans.

TELEVISION

The Television segment is comprised of: YTV; Treehouse; Nickelodeon (Canada); W Network; OWN: Oprah Winfrey Network (Canada); W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services (Movie Central, including HBO Canada and Encore Avenue); three conventional television stations serving Peterborough, Kingston and Durham; the Corus content business including Nelvana (production and distribution of films and television programs, and merchandise licensing), Kids Can Press (publishing) and Toon Boom (animation software); the Company's majority interest in CMT (Canada), Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24 (Canada), TeleNiños, TLN en Español, Telebimbi, Cinelatino), DUSK (discontinued March 23, 2012), ABC Spark (launched March 26, 2012) and Cosmopolitan TV; and a 50% interest in TELETOON, TELETOON Retro (English and French) and Cartoon Network (Canada).

FINANCIAL HIGHLIGHTS

	Year ended **August 31**,	
(in thousands of Canadian dollars)	**2013**	2012
Revenues	**619,850**	650,949
Expenses	**371,071**	388,811
Segment profit[1]	**248,779**	262,138

[1]As defined in the "Key Performance Indicators" section.

For the year ended August 31, 2013, specialty advertising revenues were up 2%, subscriber revenues were comparable, while merchandising, distribution and other revenues were down 24% compared to the prior year. The increase in specialty advertising revenues was driven by growth in the Women's vertical, as well as the continued success of ABC Spark and robust demand for co-view inventory. Subscriber revenues for fiscal 2013 reflects growth in Movie Central and ABC Spark subscribers offset by subscriber losses on certain specialty networks due to package and rate changes. The decline in merchandising, distribution and other revenues was driven by lower Beyblade merchandising revenues partially offset by an increase in library distribution sales. Movie Central (including HBO Canada) ended the fiscal year with 996,000 subscribers, up 20,000 from the prior year.

For the year ended August 31, 2013, total expenses were down 5% as both direct cost of sales and general and administrative expenses declined year-over-year. The decrease in direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) reflects growth of 3% in program rights amortization, lower film amortization and cost of sales from the merchandising business consistent with lower revenues. General and administrative expenses declined by 4% for the year due to continued focus on cost control.

Segment profit decreased 5% for the year ended August 31, 2013, while the segment profit margin of 40% was consistent with the prior year.

RADIO

The Radio segment is comprised of 37 radio stations situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach.

FINANCIAL HIGHLIGHTS

	Year ended **August 31**,	
(in thousands of Canadian dollars)	**2013**	2012
Revenues	**183,691**	191,327
Expenses	**128,543**	133,900
Segment profit[1]	**55,148**	57,427

[1]As defined in the "Key Performance Indicators" section.

Revenues for the year ended August 31, 2013 declined 4% from the prior year. The decline reflects revenue softness in Manitoba and Ontario while Alberta and British Columbia had stronger ratings and economic conditions.

Direct cost of sales, general and administrative expenses decreased 4% from the prior year. Variable expenses decreased 2%, corresponding with the revenue decline. Fixed costs, which represent a much higher proportion of the cost structure, decreased 5% from the prior year, primarily due to lower hockey broadcast rights fees, lower promotional spending and the recognition of an Ontario Interactive Digital Media Tax Credit.

Segment profit decreased 4% for the fiscal year while segment profit margin was consistent year-over-year, at 30%, as a result of continued focus on cost controls.

CORPORATE

The Corporate results are comprised of the incremental cost of corporate overhead in excess of the amount allocated to the operating segments.

FINANCIAL HIGHLIGHTS

	Year ended **August 31**,	
(in thousands of Canadian dollars)	**2013**	2012
Share-based compensation	**12,953**	11,061
Other general and administrative costs	**20,962**	18,525
	33,915	29,586

Share-based compensation includes expenses related to the Company's stock options and other long-term incentive plans (such as Performance Share Units - "PSUs", Deferred Share Units – "DSUs", and Restricted Share Units – "RSUs"). The expense fluctuates with changes in assumptions, primarily relating to the Company's share price and number of units estimated to vest. Share-based compensation increased 17% from the prior year as a result of a higher share price at the end of the current year compared to the prior year and an increase in the number of units that have achieved performance-based vesting targets.

Other general and administrative costs increased 13% from the prior year, primarily as a result of higher expenses attributable to achievement of performance incentive plans. The prior year also includes a rebate on operating costs related to Corus Quay.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. In particular, as the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity, the first quarter results tend to be the strongest and second quarter results tend to be the weakest in a fiscal year.

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2013. In Management's opinion, the quarterly results summarized below have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2013.

(in thousands of Canadian dollars, except per share amounts)

	Revenues	Segment profit[1]	Net income attributable to shareholders	Earnings per share	
				Basic	Diluted
2013					
4th quarter	**193,634**	**54,445**	**11,879**	**$ 0.14**	**$ 0.14**
3rd quarter	200,060	68,226	89,913	$ 1.07	$ 1.07
2nd quarter	183,700	54,648	5,944	$ 0.07	$ 0.07
1st quarter	226,147	92,693	52,159	$ 0.63	$ 0.62
2012					
4th quarter	195,624	60,862	23,341	$ 0.28	$ 0.28
3rd quarter	204,078	75,656	43,221	$ 0.52	$ 0.51
2nd quarter	205,683	62,247	31,571	$ 0.38	$ 0.38
1st quarter	236,891	91,214	50,548	$ 0.61	$ 0.61

[1]As defined in the "Key Performance Indicators" section.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the fourth quarter of fiscal 2013 was negatively impacted by a non-cash expense of $5.7 million ($0.05 per share) related to broadcast license impairments on certain Radio clusters, a charge of $5.2 million ($0.05 per share) related to restructuring costs and investment impairment charges of $7.1 million ($0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2013 was positively impacted by a gain of $55.4 million ($0.66 per share) related to the disposal of the Company's non-controlling interest in Food Network Canada.
- Net income attributable to shareholders for the second quarter of fiscal 2013 was negatively impacted by the early redemption of all of the $500.0 million, 7.25% Senior Unsecured Guaranteed Notes that were due on February 10, 2017. A debt refinancing charge of $25.0 million ($0.22 per share) was recorded to reflect the redemption premium and the write-off of unamortized financing charges related to the 2017 Notes.
- Net income attributable to shareholders for the fourth quarter of fiscal 2012 was negatively impacted by a non-cash expense of $6.8 million ($0.08 per share) related to an increase in the Ontario long-term tax rate which was substantively enacted in the fourth quarter of fiscal 2012.

FINANCIAL POSITION

Total assets at August 31, 2013 and August 31, 2012 were $2.2 billion and $2.1 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2012:

Current assets at August 31, 2013 were $327.1 million, up $106.9 million from August 31, 2012. Cash and cash equivalents increased by $61.5 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $3.1 million. The accounts receivable balance typically grows in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Promissory note receivable increased $47.8 million arising from the sale of the Company's non-controlling interest in Food Network Canada to Shaw Communications Inc ("Shaw"), net of its acquisition of the remaining 49% interest in ABC Spark from Shaw.

Tax credits receivable decreased $2.3 million as a result of tax credit receipts exceeding accruals related to film productions.

Intangibles, investments and other assets increased $0.6 million, primarily as a result of increases in investments and intangibles offset by the disposition of Corus' 20% interest in Food Network Canada, equity losses, dividends from associates, amortization of intangible assets and a charge related to impairment in associates of $3.4 million.

Property, plant and equipment decreased $12.2 million, as depreciation expense exceeded additions for fiscal 2013.

Program and film rights increased $17.9 million, as additions of acquired rights of $208.1 million were offset by amortization of $190.2 million during fiscal 2013.

Film investments decreased $5.2 million, as film spending (net of tax credit accruals) of $24.3 million was offset by film amortization of $25.8 million and an asset impairment charge of $3.7 million.

Broadcast licenses decreased $5.7 million, while goodwill remained consistent with August 31, 2012 balances. An impairment charge of $5.7 million was recorded for certain Radio broadcast licenses.

Accounts payable and accrued liabilities decreased $13.3 million, as a result of lower current program rights payable, accrued liabilities and financing leases payable.

Provisions increased $1.6 million as a result of accruals made relating to work-force reduction initiatives taken in the fourth quarter of fiscal 2013.

Long-term debt at August 31, 2013 was $539.0 million, up $20.7 million primarily as a result of the 2020 Notes issuance of $550.0 million, offset by the repayment of the 2017 Notes of $500.0 million and a repayment on the bank debt of $30.0 million.

Other long-term liabilities increased by $17.2 million, primarily from increases in imputed interest on long-term liabilities and increases in program rights payable.

Share capital increased $27.2 million, as the issuance of shares from treasury under the Company's dividend reinvestment plan and exercise of stock options added $26.7 million and $1.2 million, respectively, to share capital that was offset by $0.7 million in costs related to shares repurchased under the Company's Normal Course Issuer Bid.

Contributed surplus decreased $0.6 million due to the issuance of shares under the stock option plan of $2.2 million offset by share-based compensation expense of $1.6 million.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position increased $61.5 million for the year ended August 31, 2013. Free cash flow from operations for the year ended August 31, 2013 was $154.1 million, compared to free cash flow of $155.1 million in the prior year. This decrease in free cash flow primarily reflects lower cash from operating activities during the year. Refer to Key Performance Indicators for a reconciliation of free cash flow to the consolidated statements of cash flows.

Cash provided by operating activities for the year ended August 31, 2013 was $167.0 million, compared to $170.3 million last year. The decrease of $3.3 million arises from lower net income from operations before non-cash items of $27.3 million; higher additions to film investments of $5.1 million, offset by a decreased spend on program rights of $11.3 million; and lower working capital usage of $17.8 million.

Cash used in investing activities for the year ended August 31, 2013 was $24.6 million, compared to $35.3 million in the prior year. The decrease of $10.7 million is attributable to a decrease of $6.2 million in additions to capital assets, the investment in Toon Boom in the prior year of $4.1 million, and a decrease in net cash flows for intangibles, investments and other assets of $0.4 million.

Cash used in financing activities for the year ended August 31, 2013 was $81.0 million, compared to $166.4 million in the prior year. In the current year, the Company issued the 2020 Notes of $550 million, redeemed the 2017 Notes of $500.0 million and paid $26.7 million in financing fees. Bank debt was paid down by $29.9 million; $1.5 million of shares were repurchased under the Normal Course Issuer Bid, dividends of $63.0 million were paid and the Company's payments under capital leases increased by $1.2 million. In the prior year, the Company decreased bank debt by $84.8 million, repurchased $25.3 million of shares under the Normal Course Issuer Bid and paid $56.8 million in dividends.

LIQUIDITY

As at August 31, 2013, the Company had available approximately $500.0 million under a revolving term credit facility that matures on February 11, 2017. Interest rates on the Company's facility fluctuate with Canadian bankers' acceptances and LIBOR.

As at August 31, 2013, the Company had a cash balance of $86.1 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

NET DEBT TO SEGMENT PROFIT

As at August 31, 2013, net debt was $452.9 million, down from $493.7 million at August 31, 2012. Net debt to segment profit at August 31, 2013 was consistent with August 31, 2012 at 1.7 times.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has no derivative financial instruments outstanding as at August 31, 2013.

CONTRACTUAL COMMITMENTS

The Company has the following contractual obligations:

(in thousands of Canadian dollars)	Total	Less than one year	One to three years	Four to five years	Beyond five years
Long-term debt	538,966	—	—	—	538,966
Interest on notes	151,938	23,375	46,750	46,750	35,063
Program rights payable	117,946	81,517	29,635	6,794	—
Program rights purchase commitments	446,492	93,758	186,971	103,851	61,912
Operating leases	392,474	24,428	46,630	42,259	279,157
Trademarks and other license commitments	60,294	21,345	27,461	9,202	2,286
Finance leases	5,245	2,279	2,176	790	—
Other obligations	1,581	527	1,054	—	—
Total contractual obligations	**1,714,936**	**247,229**	**340,677**	**209,646**	**917,384**

In addition to the contractual obligations in the table above, the Company will pay interest on any bank debt outstanding in future periods. In fiscal 2013, the Company incurred interest on bank debt of $0.5 million (2012 - $2.6 million).

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

REVENUE

Revenue is a measurement defined by IFRS. Revenue is the gross inflow of economic benefits arising in the course of the ordinary activities of an entity that results in increases in equity, such as cash, receivables or other consideration arising from the sale of products and services, and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base upon which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the "Overview" section.

Corus is well diversified by revenue source, with revenue streams for the year ended August 31, 2013, derived primarily from three areas: advertising (48%), subscriber fees (37%) and merchandising, distribution and other (15%) (2012 – 46%, 35% and 19%, respectively).

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and affiliate subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), employee remuneration, regulatory license fees, other cost of sales relating to merchandising, studio service work, publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Approximately 29% and 40%, respectively, of consolidated direct cost of sales, general and administrative expenses in fiscal 2013 (2012 – 27% and 40%, respectively) were comprised of employee remuneration and amortization of programming and film rights, and film investments, respectively.

SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and comprehensive income. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; debt refinancing; restructuring and certain other income and expenses (note 19 to the audited consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 21 to the audited consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Certain key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS. The following tables reconcile those key performance indicators that are not in accordance with IFRS measures:

FREE CASH FLOW

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities, as reported in the consolidated statements of cash flows, and then adding back cash used specifically for business combinations and strategic investments. Free cash flow measures the Company's ability to repay debt; finance strategic business acquisitions and investments; pay dividends; and repurchase shares.

	Year ended **August 31**,	
(in thousands of Canadian dollars)	**2013**	2012
Cash provided by (used in):		
Operating activities	**167,034**	170,310
Investing activities	**(24,550)**	(35,272)
	142,484	135,038
Add back: cash used for business combinations and strategic investments	**11,652**	20,109
Free cash flow	**154,136**	155,147

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Corporation also provides supplementary non-IFRS measures as a method of evaluating the Corporation's performance. Management uses adjusted net income and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income and adjusted basic earnings per share is defined as net income and basic earnings per share before items such as: non-recurring gains or losses related to acquisitions and/or dispositions of investments; costs on debt refinancing; non-cash impairment charges; and business acquisition, integration and restructuring costs. Management believes adjusted net income and adjusted basic earnings per share is a useful measure that facilitates period-to-period operating comparisons. Adjusted net income and adjusted basic earnings per share does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures

presented by other companies. Adjusted net income and adjusted earnings per share should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE RECONCILIATION

	Year ended **August 31**,	
(in thousands of Canadian dollars, except per share amounts)	**2013**	2012
Net income attributable to shareholders	**159,895**	148,681
Adjustments (net of tax):		
Impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter 2012	**—**	6,834
Gain on sale of associated company	**(55,394)**	—
Debt refinancing costs related to issuance of $550 million of Senior Unsecured Guaranteed Notes	**18,488**	—
Impact of broadcast license impairment charge	**4,240**	—
Impact of business acquisition, integration and restructuring	**5,634**	3,041
Impact of investment impairment charges	**5,710**	—
Adjusted net income attributable to shareholders	**138,573**	158,556
Basic earnings per share attributable to shareholders	**$1.91**	$1.79
Adjustments (net of tax):		
Impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter 2012	**$ —**	$0.08
Gain on sale of associated company	**$(0.66)**	$ —
Debt refinancing costs related to issuance of $550 million of Senior Unsecured Guaranteed Notes	**$0.22**	$ —
Impact of broadcast license impairment charge	**$0.05**	$ —
Impact of business acquisition, integration and restructuring	**$0.06**	$0.03
Impact of investment impairment charges	**$0.07**	$ —
Adjusted basic earnings per share attributable to shareholders	**$1.65**	$1.90

NET DEBT

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated statements of financial position. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

(in thousands of Canadian dollars)	**2013**	2012
Long-term debt	**538,966**	518,258
Cash and cash equivalents	**(86,081)**	(24,588)
Net debt	**452,885**	493,670

NET DEBT TO SEGMENT PROFIT

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

(in thousands of Canadian dollars)	**2013**	2012
Net debt (numerator)	**452,885**	493,670
Segment profit (denominator)[1]	**270,012**	289,979
Net debt to segment profit	**1.7**	1.7

[1] Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section.

PENDING TRANSACTIONS

On March 4, 2013, the Company announced that it had entered into agreements (the "Bell Agreements") with Bell Media Inc. ("Bell") to acquire the 50% interest in TELETOON that it does not already own, two Ottawa based radio stations, CKQB-FM and CJOT-FM, and a 50% interest in the French-language specialty channels, Historia

and Séries+ s.e.n.c. ("H&S"), each of which would be acquired by Bell as part of its acquisition of Astral Media Inc. ("Astral") prior to the sale to Corus. In addition, the Company announced that it had entered into a separate agreement with Shaw Communications Inc. ("Shaw") to acquire the remaining 50% interest in H&S (note 27 to the audited consolidated financial statements). These transactions have received Competition Bureau clearance, but are still subject to conditions, including approval by the Canadian Radio-television and Telecommunications Commission ("CRTC").

The total purchase price to be paid by Corus pursuant to the transactions contemplated by the Bell Agreements is $400.6 million, subject to working capital adjustments. The cash consideration to be paid by Corus to Shaw, net of promissory notes from Shaw (note 27 to the audited consolidated financial statements), is $93.6 million, subject to certain working capital adjustments.

On June 27, 2013, the CRTC approved Bell's acquisition of Astral. This event has satisfied one of the conditions of the Bell Agreements. The Company is in the process of seeking CRTC approval of the above mentioned acquisitions, however, if Corus is unable to consummate one or more of the transactions contemplated by the Bell Agreements under certain circumstances (including not being able to obtain CRTC approval), Corus has agreed to indemnify Bell for any net loss up to a maximum of $400.6 million that is suffered upon a subsequent sale of the applicable assets to a third-party purchaser relative to the respective purchase prices agreed to in the Bell Agreements.

ENTERPRISE RISK MANAGEMENT

Corus' enterprise risks are largely derived from the Company's business environment and are fundamentally linked to Corus' strategies and business objectives. Corus strives to proactively mitigate its risk exposures through rigorous performance planning and business operational management that is effective and efficient. Residual exposure for certain risks is mitigated through appropriate insurance coverage where this is judged to be efficient and commercially available.

Corus strives to avoid taking on undue risk exposures whenever possible and ensures any necessary risks are aligned with business strategies, objectives, values and risk tolerance.

RISK GOVERNANCE

The Board of Directors is responsible for overseeing management with respect to the management of the principal risks of the Company and ensuring that there are systems in place to effectively monitor and manage these risks. This includes oversight of the implementation of enterprise risk management procedures and the development of entity level controls. The Board carries out its risk management mandate primarily through the support of Board Committees and senior management as follows:

- The Audit Committee, which is responsible for overseeing the Company's policies and processes designed to mitigate and manage applicable regulatory compliance risk, including the adequacy of internal control over financial reporting;
- The Human Resources and Compensation Committee, which is responsible for the Company's policies and processes designed to mitigate and manage risks associated with the Company's compensation plans;
- The Corporate Governance Committee, which is responsible for maintaining and monitoring the Company's governance processes, including its Code of Conduct; and
- The Executive Management Team, which is responsible for the establishment and oversight of enterprise risk management processes carried out through the Company's Risk Management Committee ("RMC");

In addition, entity level controls, including the Company's Code of Conduct (which is required to be reviewed and signed to confirm compliance annually by directors and officers of the Company), financial controls and other governance processes are in place and monitored regularly by the Company's Risk and Compliance group (which functions independently from management) and the external auditors (Ernst & Young LLP), whom report to the Audit Committee on a quarterly basis.

RISK MANAGEMENT

The Company has established an Enterprise Risk Management Framework ("ERM") which includes identifying, assessing, managing and monitoring the significant risks that impact the Company.

A strategic risk assessment is conducted as part of the Company's strategic planning process to identify and assess the key business risks facing Corus and their potential impact on the achievement of the Company's strategic plans. Emerging risks are included in the assessment and risks are prioritized using standard risk assessment criteria.

The RMC which reports to the Executive Management Team, is mandated to maintain the Company's ERM for identifying, assessing, managing, monitoring and reporting the significant risks that impact the Company. The RMC is comprised of eleven senior managers from across the organization, with all key operating segments and functions represented. The Committee meets on a quarterly basis to review financial, hazard, operational and strategic risks to the Company. The likelihood and impact of these risks are ranked on a high, medium and low basis. These risks are reviewed by the Company's Disclosure Committee, the Chief Financial Officer and the Chief Executive Officer and, finally, by the Board as part of the quarterly risk review process.

RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESS

This section describes the principal risks and uncertainties that could have a material adverse effect on the business and financial results of the Company and its subsidiaries.

IMPACT OF REGULATION ON CORUS' RESULTS OF OPERATIONS

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications Act* and regulations promulgated under the *Broadcasting Act*.

The CRTC imposes a range of obligations upon licensees such as scheduling requirements for Canadian Content, Canadian Content spending levels, limits on content genres on certain networks, access obligations (i.e. closed captioning or descriptive video) and other obligations. Changes resulting from the CRTC's interpretations of existing policies and regulations could be materially adverse to Corus' business and financial results.

Canadian Content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, Corus would not be able to use the programs to meet its Canadian Content programming obligations and Corus might not qualify for certain Canadian tax credits and industry incentives.

In addition, to maintain eligibility under the *Broadcasting Act* and the *Radiocommunications Act*, there are limitations on the ownership by non-Canadians of Corus' Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus' Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television and pay television undertakings rely upon blanket licenses held by rights-holding collectives to make use of the music component of the programming that is used. The royalties payable for these blanket licenses are determined by tariffs set by the Copyright Board under a regime established by the *Copyright Act*. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses or be subject to additional administrative costs associated with the tariffs.

Refer also to the "Canadian Communications Industry – Regulatory Environment" section of the Company's Annual Information Form for further information.

COMPETITION

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, television and radio broadcasting services have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, music formats, talent, television programs or networks because the revenues derived depend upon audience acceptance of these or other competing programs released into, or networks existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could rapidly change, and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television networks, proprietary content and associated merchandising would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

Radio

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenues within its geographic market, its promotional and other expenses incurred to obtain the revenues and the economic strength of its geographic market. Radio advertising revenues are highly dependent upon audience share. Audience share is derived from interest in on-air talent, music formats, and other intangible factors. This can be influenced by the competition. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other broadcast, online and print media. Potential advertisers can substitute advertising through the broadcast television system (which can offer concurrent exposure on a number of networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, the Internet and mobile advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

Television – broadcast business

The financial success of Corus' specialty, pay, and conventional television business depends on obtaining revenues from advertising and/or subscription fees as well as effectively managing programming costs.

i) Advertising and subscriber revenues

Numerous broadcast and specialty television networks compete with Corus for advertising revenues. The CRTC continues to grant new specialty television licenses which further increases competition. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC such as A&E and CNN. Corus' pay television services are providers of premium movies and series, and offer classic movies to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings. Moreover, increasingly, Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC (see "Technological Developments"). This competition takes the form of competition for the supply of programming and also for audiences. This can affect both the costs and revenues of a network. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support, and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers in order to achieve high distribution levels. Any failure by Corus to compete effectively, particularly in the areas of specialty and pay television services, could materially adversely affect Corus' results of operations.

ii) Programming expenditures

Programming costs are one of the most significant expenses in the Television segment. Although the Company has processes to effectively manage these costs, increased competition in the television broadcasting industry due to factors mentioned above, changes in viewer preferences and other developments could impact the availability of programming content and adversely impact Corus' results of operations.

Television – content business

The production and distribution of children's television, books and other media content is very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry worldwide and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by various broadcasting services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

PRODUCTION OF FILM AND TELEVISION PROGRAMS

Each production is an individual artistic work and its commercial success is determined primarily by the size of the market and audience acceptance. The latter cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other ephemeral and intangible factors, all of which can rapidly change and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners, cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can cover as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, a significant number of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualifying for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty.

Consequently, revenue from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Revenue from Corus' content library can vary substantially from year to year, both by geographic territory and by year of production. The timing of the Company's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

MERCHANDISING

Success of merchandising brands depends on consumers' tastes and preferences which can change in unpredictable ways. The Company depends on the acceptance by consumers of its merchandising offerings, therefore, success depends on the ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, the Company derives royalties from the sale of licensed merchandise by third parties. Corus is dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect the Company's operating results.

INTELLECTUAL PROPERTY RIGHTS

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights to competitively produce, distribute and license its films, television programs and published materials and market its related merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties may contest or infringe upon the Company's intellectual property rights.

The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

PRODUCTION OF WEBSITES

The production of websites related to Corus' Television and Radio brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as online games and third-party posts of content and links. Corus takes steps to ensure that procedures are in place to clear rights and to vet third-party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains a limited risk of liability to third-party claims.

TECHNOLOGICAL DEVELOPMENTS

New or alternative media technologies and business models, such as video-on-demand, subscription-video-on-demand, high-definition television, personal video recorders, mobile television, Internet protocol television, OTT internet-based video entertainment services, digital radio services, satellite radio and direct-to-home satellite have recently begun to compete, or may in the future compete, for programming and audience. As well, mobile devices like smart phones and tablets are allowing consumers to access content anywhere, anytime. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

ACQUISITIONS

The Company may, from time to time, make strategic acquisitions which involve significant risks and uncertainties. As such, the Company may experience difficulties in realizing the anticipated benefits, incur unanticipated expenses and/or have difficulty incorporating or integrating the acquired business, the occurrence of which could have a material adverse effect on the Company.

DISTRIBUTION

Corus enters into long-term agreements with various cable and satellite providers for the distribution of its television services. As the contracts expire, there could be a negative impact on revenues if the Company is unable to renew them on acceptable terms which include revenues per subscriber and packaging that ultimately determines the networks' household reach.

ECONOMIC CONDITIONS

The Company's operating performance depends on Canadian and worldwide economic conditions. Economic uncertainty could impact demand for Corus' advertising airtime as companies reduce their advertising spending. There can be no assurance that an economic decline will not adversely affect the Company's operating results.

CAPITAL MARKETS

The Company may require continuing access to capital markets to sustain its operations. Disruptions in the capital markets, including changes in market interest rates or the availability of capital, could have a material adverse effect on the Company's ability to raise or refinance debt.

INTEREST RATE AND FOREIGN EXCHANGE RISK

Corus has the following financial exposures in its day-to-day operations:

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes a banking facility, as more fully described in note 13 to the audited consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR.

The Company manages its exposure to floating interest rates through maintaining a balance of fixed rate and floating rate debt. As at August 31, 2013, 100% (2012 – 96%) of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange

A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 7% of Corus' total revenues in fiscal 2013 (2012 – 11%) were in foreign currencies, the majority of which was U.S. dollars.

The impact of foreign exchange gains and losses are described in note 24 to the audited consolidated financial statements.

INFORMATION SYSTEMS AND INTERNAL BUSINESS PROCESSES

The day-to-day operations of the Company are highly dependent on information technology systems and internal business processes. An inability to operate or enhance information technology systems could have an adverse impact on the Company's ability to produce accurate and timely invoices, manage operating expenses and produce accurate and timely financial reports. Although the Company has taken steps to reduce these risks, there can be no assurance that potential failures of, or deficiencies in, these systems or processes will not have an adverse effect on the Company's operating results.

HOLDING COMPANY STRUCTURE

Substantially all of Corus' business activities are operated by its subsidiaries. As a holding company, the Company's ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

DIVIDEND PAYMENTS

The Company currently pays monthly share dividends on both its Class A Voting and Class B Non-Voting shares in amounts approved by the Board of Directors on a quarterly basis. While the Company expects to generate sufficient free cash flow in fiscal 2014 to fund these dividend payments, if actual results are different from expectations there can be no assurance that the Company will continue share dividend payments at the current level.

CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at

August 31, 2013, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

OUTLOOK

At its annual Investor Day, which is planned to be held on January 29, 2014, the Company will update investors on the Company's fiscal 2014 priorities and strategies as well as provide financial guidance.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Corus' Corporate Governance Committee. The following sets forth the certain transactions in which the Company is involved.

TRANSACTIONS

The Company has transacted business in the normal course with Shaw and with entities over which the Company exercises significant influence and joint control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

SHAW COMMUNICATIONS INC. ("SHAW")

The Company and Shaw are subject to common voting control. During the year, the Company received cable subscriber, programming and advertising fees of $119.5 million (2012 - $123.9 million), production and distribution revenues of $3.0 million (2012 - nil) from Shaw. In addition, the Company paid cable and satellite system distribution access fees of $4.6 million (2012 - $4.3 million) and administrative and other fees of $1.5 million (2012 - $4.1 million) to Shaw. At August 31, 2013, the Company had $21.5 million (2012 - $23.1 million) receivable from Shaw, which does not include the non-interest bearing promissory note receivable from Shaw of $47.8 million (note 27 to the audited consolidated financial statements).

The Company provided Shaw with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

SPECIALTY CHANNELS

During the year, the Company received administrative and other fees of $7.7 million (2012 - $7.3 million) from its non-wholly owned specialty channels including ABC Spark, CMT, Cosmo, TELETOON, and TLN. At August 31, 2013, the Company had $0.9 million (2012 - $0.9 million) receivable from these entities.

KEY MANAGEMENT PERSONNEL

Key management personnel consist of the Board of Directors and the Officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of Corus.

Included in other investments (note 5 to the audited consolidated financial statements) and share capital (note 15 to the audited consolidated financial statements) is a loan of $0.2 million (2012 - $0.2 million) made to the Chief Executive Officer of the Company for housing purposes prior to July 31, 2002. The loan is collateralized by charges on the officers' personal residence. The loan is non-interest bearing and is due October 31, 2022.

OUTSTANDING SHARE DATA

As at October 31, 2013, 3,430,292 Class A Voting Shares and 81,212,300 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances as described in the Company's most recent Annual Information Form.

IMPACT OF NEW ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

IAS 12 - *Income Taxes*

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets measured at fair value and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 - *Investment Property*, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 - *Income Taxes – Recovery of Revalued Non-depreciable Assets*, as SIC-21 has been withdrawn. The effective date of the amendment is for annual periods beginning on or after January 1, 2012. The Company has assessed the impact of this amendment and determined there is no impact on its consolidated financial statements.

IAS 1 - *Presentation of Financial Statements*

The IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to income will be separated from items that will not. The standard is effective for fiscal years beginning on or after July 1, 2012, with early adoption permitted. The Company has adopted IAS 1 retrospectively and there are minimal disclosure differences.

RECENT ACCOUNTING PRONOUNCEMENTS

PENDING ACCOUNTING CHANGES

IFRS 9 - *Financial Instruments: Classification and Measurement*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard for annual periods beginning on or after January 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

In December 2011, the IASB amended both IAS 32 - *Financial Instruments*: *Presentation* and IFRS 7 *Financial Instruments*: *Disclosures* by moving the disclosure requirements in IAS 32 to IFRS 7 and enhancing the disclosures about offsetting financial assets and liabilities. The effective date of the amendments is for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted but must be applied together with IFRS 9. The Company has assessed the impact of these standards and determined there is no impact on its consolidated financial statements.

IFRS 10 - *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes SIC-12 - *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 - *Consolidated and Separate Financial Statements*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The Company has assessed the impact of this standard and determined there is no impact on its consolidated financial statements.

IFRS 11 - *Joint Arrangements*

IFRS 11 replaced IAS 31 - *Interest in Joint Ventures* and SIC 13 - *Jointly Controlled Entities – Non-monetary Contributions by Ventures*. The standard eliminates the use of the proportionate consolidation method to account for jointly controlled entities. Joint ventures, as defined in IFRS 11 will be accounted for using the equity method of accounting while for a joint operation the venture will recognize its right to the assets, liabilities, revenues and expenses of the joint operation. The new standard will be effective for Corus for its 2014 fiscal year with retroactive application to September 1, 2012. Corus currently proportionately consolidates its jointly controlled entities, TELETOON Canada Inc. and United Broadcast Sales. With the new standards, the revenue, expenses, assets and liabilities from these operations currently recognized in the Company's consolidated financial statements will be

replaced by a single investment amount and equity pick up of Corus' share of earnings using the equity method. Corus' fiscal 2013 restated revenue and segment profit are estimated to be lower by approximately $56,037 and $21,695, respectively, but with no change to net income. At August 31, 2013, net assets would remain the same. As a consequence of IFRS 11, IAS 28 has been renamed IAS 28 - *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 12 - *Disclosure of Interests in Other Entities*
IFRS 12 establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 - *Consolidated and Separate Financial Statements*, IAS 31 - *Joint Ventures* and IAS 28 - *Investment in Associates*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of this standard will affect disclosures but will not have an impact on the recognized amount or measurements in the consolidated financial statements.

IFRS 13 - *Fair Value Measurement*
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 defines fair value and establishes disclosures about fair value measurement. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of this standard will affect disclosures but will not have an impact on the consolidated financial statements.

IAS 28 - *Investments in Associates and Joint Ventures*
The IASB also amended IAS 28, an existing standard, to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 12. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of the standard will have the aforementioned impact noted in IFRS 11 - *Joint Arrangements* above.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in note 3 to the fiscal 2013 audited consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2013 consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Management uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, amortization of film investments, useful lives of capital assets, asset impairments, provisions, share-based compensation plans, employee benefit plans, deferred income taxes and impairment of goodwill and intangible assets. Estimates are also made by management when recording the fair value of assets acquired and liabilities assumed in a business combination.

Estimates are based on a number of factors, including historical experience, current events and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant estimates and judgments made by management are described below.

FILM INVESTMENTS

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' share of production costs for an individual film or television program, are charged to amortization expense on a series or program basis in the same ratio that current period

actual revenues bear to management's estimates of the total future revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. Future revenues are based on historical sales performance for the genre of series or program, the number of episodes produced and the availability of rights in each territory. Estimates of future revenues can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted prospectively. In addition, if revenue estimates change significantly with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses and profitability.

IMPAIRMENT OF LONG-LIVED ASSETS

At each reporting date, the Company assesses its long-lived assets, including property, plant and equipment, program and film rights, film investments, goodwill and intangible assets, for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any impairment indicator exists, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the cash generating unit ("CGU") to which it belongs. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

Goodwill is allocated to a CGU or group of CGUs for the purposes of impairment testing based on the level at which management monitors it, which is not larger than an operating segment. The Company records an impairment loss if the recoverable amount of the CGU or the group of CGUs is less than the carrying amount. Goodwill and indefinite-life assets, such as broadcast licenses, are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that an impairment may have occurred.

The Company completes its annual impairment testing process for broadcast licenses and goodwill during the fourth quarter each year.

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or CGU (or group of CGUs in the case of goodwill) to the carrying value. The recoverable amount is the higher of an asset's or CGUs (or group of CGUs in the case of goodwill) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (such as broadcast licenses and goodwill) and the asset's value in use cannot be determined to equal its fair value less costs to sell. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

In calculating the recoverable amount, management is required to make several assumptions including, but not limited to, segment profit growth rates, future levels of capital expenditures, expected future cash flows and discount rates. The Company's assumptions are influenced by current market conditions and general outlook for the industry, both of which may affect expected segment profit growth rates and expected cash flows. The Company has made certain assumptions for the discount and terminal growth rates to reflect possible variations in the cash flows; however, the risk premiums expected by market participants related to uncertainties about the industry, specific CGUs or groups of CGUs may differ or change quickly depending on economic conditions and other events. Changes in any of these assumptions could have a significant impact on the fair value of the CGUs or groups of CGUs and the results of the related impairment testing.

The Company has completed its annual impairment testing of goodwill and indefinite lived intangible assets for fiscal 2013. There was an impairment charge of $5.7 million required to be recorded for certain Radio broadcast licenses as a result of the testing. No reasonable possible changes in a key assumption would have resulted in a material change to the impairment charge. The Company also assessed for indicators that previous impairment losses had decreased. There were no previously recorded impairment charges reversed.

INCOME TAXES

The Company is subject to income taxes in Canada and foreign jurisdictions. The calculation of income taxes in many cases, however, requires significant judgement in interpreting tax rules and regulations. The Company's tax filings are subject to audits which could materially change the amount of current and deferred income tax assets and liabilities and could, in certain circumstances, result in the assessment of interest and penalties.

Additionally, estimation of the income tax provision includes evaluating the recoverability of deferred tax assets based on the assessment of the Company's ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws, estimates of future profitability and tax planning strategies. If the future taxable results of the Company differ significantly from those expected, the Company would be required to increase or decrease the carrying value of the deferred tax assets with a potentially material impact on the Company's consolidated statements of financial position and consolidated statement of comprehensive income. The carrying amount of deferred tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred tax assets. Unrecognized deferred tax assets are recognized to the extent that it is more likely than not that taxable profit will be available against which deferred tax assets can be utilized.

EMPLOYMENT BENEFIT PLANS

The Company has four defined benefit plans for certain unionized and non-unionized employees and two supplementary executive retirement plans which provide pension benefits to certain of its key senior executives. The amounts reported in the consolidated financial statements related to these plans are determined using actuarial valuations that are based on several assumptions. The assumptions and estimates include the discount rate, rate of compensation increase, trend in healthcare costs and expected average remaining years of service of employees. Changes to these assumptions and estimates, and plan asset performance that differs from the discount rate used would impact the amounts recorded in the consolidated financial statements related to these plans. As well, market-driven changes may result in changes in the discount rates and other variables which would result in the Company being required to make contributions in the future that differ significantly from the current contributions and assumptions incorporated into the actuarial valuation process.

The significant assumptions used on the benefit obligation are disclosed in note 29 to the audited consolidated financial statements.

SHARE-BASED COMPENSATION

In the evaluation of the fair value of stock options granted to eligible officers, directors and employees, the Company makes estimates and assumptions. Critical estimates and assumptions include the expected life of stock options, the risk-free interest rate and the expected volatility of the market price of the shares. The Company believes that the assumptions used are reasonable based on information currently available, but changes to these assumptions could impact the fair value of stock options and, therefore, the share-based compensation costs recorded in direct cost of sales, general and administrative expenses.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer, together with management, are responsible for establishing and maintaining disclosure controls and procedures (as defined in National Instrument 52-109) and have designed such disclosure controls and procedures (or have caused it to be designed under their supervision) to provide reasonable assurance that material information with respect to Corus, including its consolidated subsidiaries, is made known to them. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits under provincial securities legislation is recorded, processed, summarized and reported, within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, supported by Corus' management, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings, and have concluded that, as of August 31, 2013, the Company's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, together with management, are responsible for designing internal control over financial reporting (or causing it to be designed under their supervision) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer, supported by Corus' management, evaluated the effectiveness of the Company's internal control over financial reporting, as of August 31, 2013, based on the framework set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Corus Entertainment Inc. ("Corus") and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this Annual Report and has ensured that it is consistent with the consolidated financial statements.

Corus maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has maintained the operating effectiveness of internal control over external financial reporting. As at August 31, 2013, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operation of our internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee (the "Committee").

The Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting items, to satisfy itself that each party is properly discharging its responsibilities, and to review the Annual Report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with International Financial Reporting Standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

John M. Cassaday
President and
Chief Executive Officer

Thomas C. Peddie FCPA, FCA
Executive Vice President
and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited the accompanying consolidated financial statements of **Corus Entertainment Inc**., which comprise the consolidated statements of financial position as at August 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Corus Entertainment Inc**. as at August 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Toronto, Canada,
October 24, 2013

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at August 31,

(in thousands of Canadian dollars)	**2013**	2012
ASSETS		
Current		
Cash and cash equivalents	**86,081**	24,588
Accounts receivable *(notes 4 and 24)*	**176,504**	173,421
Promissory note receivable *(note 27)*	**47,759**	—
Income taxes recoverable	**341**	9,542
Prepaid expenses and other	**16,416**	12,664
Total current assets	**327,101**	220,215
Tax credits receivable	**41,564**	43,865
Intangibles, investments and other assets *(note 5)*	**42,975**	42,390
Property, plant and equipment *(note 6)*	**151,398**	163,563
Program and film rights *(note 7)*	**289,181**	271,244
Film investments *(note 8)*	**62,734**	67,983
Broadcast licenses *(note 9)*	**563,771**	569,505
Goodwill *(note 9)*	**674,393**	674,393
Deferred tax assets *(note 20)*	**39,463**	28,327
	2,192,580	2,081,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *(note 11)*	**172,663**	185,991
Provisions *(note 12)*	**3,941**	2,322
Total current liabilities	**176,604**	188,313
Long-term debt *(note 13)*	**538,966**	518,258
Other long-term liabilities *(note 14)*	**105,020**	87,853
Deferred tax liabilities *(note 20)*	**151,157**	150,971
Total liabilities	**971,747**	945,395
SHAREHOLDERS' EQUITY		
Share capital *(note 15)*	**937,183**	910,005
Contributed surplus	**7,221**	7,835
Retained earnings	**256,517**	198,445
Accumulated other comprehensive income (loss) *(note 16)*	**1,653**	(812)
Total equity attributable to shareholders	**1,202,574**	1,115,473
Equity attributable to non-controlling interest	**18,259**	20,617
Total shareholders' equity	**1,220,833**	1,136,090
	2,192,580	2,081,485

Commitments, contingencies and guarantees *(note 13 and 28)*
See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended August 31,

(in thousands of Canadian dollars, except per share amounts)	**2013**	2012
Revenues	**803,541**	842,276
Direct cost of sales, general and administrative expenses *(notes 5, 6 and 17)*	**533,529**	552,297
Depreciation and amortization *(notes 5 and 6)*	**26,903**	25,639
Interest expense *(note 18)*	**46,332**	52,269
Broadcast license and goodwill impairment *(notes 9 and 10)*	**5,734**	—
Debt refinancing *(note 13)*	**25,033**	—
Business acquisition, integration and restructuring costs *(notes 12 and 27)*	**7,343**	4,166
Gain on sale of associated company *(note 27)*	**(55,394)**	—
Other expense (income), net *(note 19)*	**8,553**	(5,487)
Income before income taxes	**205,508**	213,392
Income tax expense *(note 20)*	**39,759**	57,241
Net income for the year	**165,749**	156,151
Net income attributable to:		
Shareholders	**159,895**	148,681
Non-controlling interest	**5,854**	7,470
	165,749	156,151
Earnings per share attributable to shareholders:		
Basic	**$ 1.91**	$ 1.79
Diluted	**$ 1.90**	$ 1.78
Net income for the year	**165,749**	156,151
Other comprehensive income (loss), net of tax: *(note 16)*		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation adjustment	**2,333**	486
Unrealized change in fair value of available-for-sale investments	**132**	(223)
Items not to be reclassified to income in subsequent periods:		
Actuarial gain (loss) on employee future benefits	**616**	(2,950)
	3,081	(2,687)
Comprehensive income for the year	**168,830**	153,464
Comprehensive income attributable to:		
Shareholders	**162,976**	145,994
Non-controlling interest	**5,854**	7,470
	168,830	153,464

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share capital *(note 15)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) *(note 16)*	Total equity attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2012	910,005	7,835	198,445	(812)	1,115,473	20,617	1,136,090
Comprehensive income (loss)	—	—	159,895	3,081	162,976	5,854	168,830
Actuarial gain transfer	—	—	616	(616)	—	—	—
Dividends declared	—	—	(84,452)	—	(84,452)	(6,331)	(90,783)
Issuance of shares under stock option plan	1,155	(2,200)	—	—	(1,045)	—	(1,045)
Issuance of shares under dividend reinvestment plan	26,731	—	—	—	26,731	—	26,731
Shares repurchased	(708)	—	(756)	—	(1,464)	—	(1,464)
Share-based compensation expense	—	1,586	—	—	1,586	—	1,586
Acquisition of non-controlling interest *(note 27)*	—	—	(17,231)	—	(17,231)	(1,881)	(19,112)
At August 31, 2013	**937,183**	**7,221**	**256,517**	**1,653**	**1,202,574**	**18,259**	**1,220,833**
At August 31, 2011	882,679	10,299	143,717	(1,075)	1,035,620	19,200	1,054,820
Comprehensive income (loss)	—	—	148,681	(2,687)	145,994	7,470	153,464
Actuarial loss transfer	—	—	(2,950)	2,950	—	—	—
Dividends declared	—	—	(78,143)	—	(78,143)	(6,053)	(84,196)
Issuance of shares under stock option plan	13,668	(3,622)	—	—	10,046	—	10,046
Issuance of shares under dividend reinvestment plan	25,982’	—	—	—	25,982	—	25,982
Shares repurchased	(12,435)	—	(12,860)	—	(25,295)	—	(25,295)
Share-based compensation expense	—	1,158	—	—	1,158	—	1,158
Repayment of executive stock purchase loans	111	—	—	—	111	—	111
At August 31, 2012	910,005	7,835	198,445	(812)	1,115,473	20,617	1,136,090

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31,

(in thousands of Canadian dollars)	**2013**	2012
OPERATING ACTIVITIES		
Net income for the year	**165,749**	156,151
Add (deduct) non-cash items:		
Depreciation and amortization *(note 5 and 6)*	**26,903**	25,639
Broadcast license and goodwill impairment *(note 9 and 10)*	**5,734**	—
Amortization of program and film rights *(note 7 and 17)*	**190,176**	186,348
Amortization of film investments *(note 8 and 17)*	**25,759**	32,001
Deferred income taxes *(note 20)*	**(11,332)**	12,921
Investment impairments *(note 5, 8 and 19)*	**7,121**	—
Share-based compensation expense *(note 15)*	**1,586**	1,158
Imputed interest *(note 18)*	**11,816**	11,348
Debt refinancing *(note 13)*	**25,033**	—
Gain on sale of associated company *(note 27)*	**(55,394)**	—
Gain on acquisition *(note 27)*	**—**	(2,383)
Other	**700**	(2,052)
Net change in non-cash working capital balances related to operations *(note 25)*	**4,584**	(13,199)
Payment of program and film rights	**(185,327)**	(196,689)
Net additions to film investments	**(46,074)**	(40,933)
Cash provided by operating activities	**167,034**	170,310
INVESTING ACTIVITIES		
Additions to property, plant and equipment *(note 6)*	**(13,043)**	(19,243)
Business combinations *(note 27)*	**—**	(4,104)
Net cash flows for intangibles, investments and other assets	**(10,855)**	(11,290)
Other	**(652)**	(635)
Cash used in investing activities	**(24,550)**	(35,272)
FINANCING ACTIVITIES		
Decrease in bank loans	**(29,925)**	(84,750)
Issuance of notes *(note 13)*	**550,000**	—
Redemption of notes *(note 13)*	**(500,000)**	—
Financing fees *(note 13)*	**(26,732)**	—
Issuance of shares under stock option plan	**884**	10,046
Shares repurchased *(note 15)*	**(1,464)**	(25,295)
Dividends paid	**(56,696)**	(50,783)
Dividends paid to non-controlling interest	**(6,331)**	(6,053)
Other	**(10,727)**	(9,537)
Cash used in financing activities	**(80,991)**	(166,372)
Net change in cash and cash equivalents during the year	**61,493**	(31,334)
Cash and cash equivalents, beginning of the year	**24,588**	55,922
Cash and cash equivalents, end of the year	**86,081**	24,588

Supplemental cash flow disclosures *(note 25)*
See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except per share information)

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol CJR.B.

The Company's registered office is at 1500, 850 – 2nd Street SW, Calgary Alberta, T2P 0R8. The Company's executive office is at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

These consolidated financial statements include the accounts of the Company and all its subsidiaries and joint ventures. The Company's principal business activities are: the operation of radio stations; the operation of specialty, pay and conventional television networks; and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared using the accounting policies in note 3.

These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on October 24, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency and all values are rounded to the nearest thousand, except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The non-controlling interest component of the Company's subsidiaries is included in equity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-company balances, transactions, unrealized gains and losses resulting from intra-company transactions and dividends are eliminated in full.

Associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Company accounts for investments over which it has significant influence using the equity method.

Interests in investments accounted for using the equity method are originally recognized at cost. Under the equity method, the investment in the associate is carried on the consolidated statements of financial position at cost plus post-acquisition changes in the Company's share of income and other comprehensive income ("OCI"), less distributions of the investee. Goodwill on the acquisition of the associates is included in the cost of the investments and is neither amortized nor assessed for impairment separately.

The financial statements of the Company's equity-accounted-for investments are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company. All intra-company unrealized gains resulting from intra-company transactions and dividends are eliminated against the investment to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

After the application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired and consequently, whether it is necessary to recognize an additional impairment loss on the Company's investment in its associate. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statements of income and comprehensive income.

Joint arrangements

The Company enters into joint arrangements with others whereby economic activity and decision-making are shared between two or more parties. These arrangements take the form of jointly controlled entities.

A jointly controlled entity involves the establishment of a corporation, partnership or other entity whereby the participants have a contractual arrangement that establishes joint control over the economic activities of the entity. The Company recognizes its interest in jointly controlled entities using the proportionate consolidation method. The Company combines its proportionate share of each of the assets, liabilities, income and expenses of jointly controlled entities with similar items, line by line, in its consolidated financial statements.

The financial statements of the Company's jointly controlled entities are prepared for the same reporting period as the Company. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

Unrealized gains and losses resulting from transactions between the Company and the joint arrangements are eliminated to the extent of the interest in the joint arrangements.

Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated on consolidation. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method of accounting, which requires the Company to identify and attribute values and estimated lives to the intangible assets acquired based on their estimated fair value. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in business acquisition, integration and restructuring costs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial asset or

liability will be recognized in accordance with International Accounting Standard ("IAS") 39 - *Financial Instruments*: *Recognition and Measurement* either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

REVENUE RECOGNITION

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts and collection is reasonably assured.

Subscriber fee revenues are recognized monthly based on estimated subscriber levels for the period-end, which are based on the preceding month's actual subscribers as submitted by the broadcast distribution undertakings.

The Company's revenues related to product and distribution revenues from the distribution and licensing of film rights; royalties from merchandise licensing, publishing and music contracts; sale of licenses, customer support, training and consulting related to the animation software business; and revenues from customer support are recognized when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company's revenues related to the sale of books are recorded when the significant risks and rewards of ownership have transferred to the buyer; the Company does not retain either continuing managerial involvement or effective control; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred can be measured reliably.

Customer advances on contracts are recorded as unearned revenue until all of the foregoing revenue recognition conditions have been met.

Non-refundable advances, whether recoupable or non-recoupable, on royalties are recognized when the license period has commenced and collection is reasonably assured, unless there are future performance obligations associated with the royalty advance for which, in that case, revenue recognition is deferred and recognized when the performance obligations are discharged. Refundable advances are deferred and recognized as revenue as the performance obligations are discharged.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment, and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Repair and maintenance costs are recognized in the consolidated statements of income and comprehensive income as incurred.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land and assets not available for use	Not depreciated
Equipment	
Broadcasting	5 - 10 years
Computer	3 - 5 years
Leasehold improvements	Lease term
Buildings	
Structure	20 - 30 years
Components	10 - 20 years
Furniture and fixtures	7 years
Other	4 - 10 years

An item of property, plant and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income and comprehensive income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at least annually and the depreciation charge is adjusted prospectively, if appropriate.

BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they are incurred.

PROGRAM RIGHTS

Program rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the Company controls the asset, the expected future economic benefits are probable and the cost is reliably measurable. The Company generally considers these criteria to be met and records the assets and liabilities when the license period has begun, the program material is accepted by the Company and the material is available for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at cost less accumulated amortization. At each reporting date, the Company assesses its program rights for indicators of impairment and, if any exist, the Company estimates the asset's or cash generating unit's ("CGUs") recoverable amount. When the recoverable amount is determined for the asset, the recoverable amount of program rights is based on management's expected future usage of the programs.

Amortization of program rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

FILM INVESTMENTS

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and third-party-produced equity film investments. Such costs include development and production expenditures and attributed studio and other costs that are expected to benefit future periods. Costs are capitalized upon project greenlight for produced and acquired films and television programs.

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and coproducers' share of production costs, are charged to amortization expense on a series or program basis in the same ratio that current-period actual revenues (numerator) bears to estimated remaining unrecognized future revenues as of the beginning of the current fiscal year (denominator). Future revenues are projected for periods generally not exceeding 10 years from the date of delivery or acquisition. For episodic television series, future revenues include estimates of revenues over a period generally not exceeding 10 years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Future revenues are based on historical sales performance for the genre of series or program, the number of episodes produced and the availability of rights in each territory. Estimates of future revenues can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted prospectively. In addition, if revenue estimates change significantly with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses and profitability.

Projects in process represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost and recoverable amount as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated at each reporting date in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the recoverable amount of a film is less than its unamortized cost, the carrying value is compared to the recoverable amount and if the carrying value is higher, the carrying value is written down to the recoverable amount. The recoverable amount of the film is determined using management's estimates of future revenues under a discounted cash flow approach.

Third-party-produced equity film investments are carried at fair value. Cash received from an investment is recorded as a reduction of such investment on the consolidated statements of financial position and the Company records revenue on the consolidated statements of income and comprehensive income only when the investment is fully recouped.

Amortization of film investments is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

GOODWILL AND INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment charges, if any. Internally generated intangible assets such as goodwill, brands and customer lists, excluding capitalized program and film development costs, are not capitalized and expenditures are reflected in the consolidated statements of income and comprehensive income in the year in which the expenditure is incurred.

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income and comprehensive income in the expense category, consistent with the function of the intangible assets.

Amortization is recorded on a straight-line basis over the estimated useful life of the asset as follows:

Brand names, trade marks and digital rights	Agreement term
Software, patents and customer lists	3 - 5 years

Intangible assets with indefinite useful lives are not amortized. Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without significant cost and without material modification of the existing terms and conditions of the license. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a CGU or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other

assets or liabilities of the acquiree are assigned to those units. The group of CGUs is not larger than the level at which management monitors goodwill or the Company's operating segments.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or circumstances indicate that they may be impaired. The Company completes its annual testing during the fourth quarter each year.

Broadcast licenses by themselves do not generate cash inflows and therefore, when assessing these assets for impairment, the Company looks to the CGU to which the asset belongs. The identification of CGUs involves judgment and is based on how senior management monitors operations; however, the lowest aggregations of assets that generate largely independent cash inflows represent CGUs for broadcast license impairment testing.

CGUs for broadcast license impairment testing
For the Television segment, the Company has determined that there are three CGUs: (1) specialty and pay television networks that are operated and managed directly by the Company; (2) TELETOON (a jointly controlled entity); and (3) Telelatino (a non-wholly owned subsidiary), as these are the levels at which independent cash inflows have been identified.

For the Radio segment, the Company has determined that the CGU is a radio cluster whereby a cluster represents a geographic area, generally a city, where radio stations are combined for the purpose of managing performance. These clusters are managed as a single asset by a general manager and overhead costs are allocated amongst the cluster and have independent cash inflows at the cluster level.

Groups of CGUs for goodwill impairment testing
For purposes of impairment testing of goodwill, the Company has grouped the CGUs within the Television and Radio operating segments and is performing the test at the operating segment level. This is the lowest level at which management monitors goodwill for internal management purposes.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income and comprehensive income when the asset is derecognized.

GOVERNMENT FINANCING AND ASSISTANCE

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with internally produced film investments is recorded as a reduction in film investments. The accrual of production tax credits on a contemporaneous basis with production expenditures are based on a five-year historical trending of the ratio of actual production tax credits received to total production tax credits applied for.

Government assistance with respect to digital activities is recorded as a reduction in the related expenses when management has reasonable assurance that the conditions of the government programs are met.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred and there is reasonable assurance of realization.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of operations having a functional currency other than Canadian dollars are translated at the rate of exchange at the consolidated statements of financial position date. Revenues and expenses are translated at average rates for the year. The resulting foreign currency translation adjustments are recognized in OCI.

Foreign currency transactions are translated into the functional currency at the rate of exchange at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at

the rate of exchange at the consolidated statements of financial position date. Gains and losses on translation of monetary items are recognized in the consolidated statements of income and comprehensive income.

INCOME TAXES

Tax expense comprises current and deferred income taxes. Tax expense is recognized in the consolidated statements of income and comprehensive income, unless it relates to items recognized outside the consolidated statements of income and comprehensive income. Tax expense relating to items recognized outside of the consolidated statements of income and comprehensive income is recognized in correlation to the underlying transaction in either OCI or equity.

Current income tax

The Company records current income tax expense or recovery based on taxable income earned or loss incurred for the period in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation. The Company establishes provisions related to tax uncertainties, where appropriate, based on its best estimate of the amount that will ultimately be paid to or received from taxation authorities.

Deferred tax

The Company uses the liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carryforwards. The deferred tax assets and liabilities related to intangible assets with indefinite useful lives have been measured based on the Company's expectation that these assets will be recovered through use. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences as well as unused tax losses and tax credit carryforwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. The Company recognizes the effect of a change in income tax rates in the period of enactment or substantive enactment.

Deferred income taxes are not recognized if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred income taxes are also not recognized on temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize deferred tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

PROVISIONS

Provisions are recognized if the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the date of the consolidated statements of financial position, taking into account the risks and uncertainties surrounding the obligation. In some situations, external advice may be obtained to assist with the estimates.

Provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using an after-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense. Future information could change the estimates and thus impact the Company's financial position and results of operations.

FINANCIAL INSTRUMENTS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale ("AFS"), as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial instruments classified at fair value through profit or loss and financial assets classified as AFS are recognized on trade date, which is the date that the Company commits to purchase or sell the asset.

The Company has classified its financial instruments as follows:

Fair value through profit or loss	Loans and receivables	Available-for-sale	Other Financial liabilities
• Cash and cash equivalents	• Accounts receivable • Loans and other receivables included in "intangibles, investments and other assets" • Promissory note receivable	• Other portfolio investments included in "intangibles, investments and other assets" • Third-party-produced equity film investments	• Accounts payable and accrued liabilities • Provisions • Long-term debt • Other long-term financial liabilities included in "Other long-term liabilities"

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried at fair value. Changes in fair value are recognized in other income (expense) in the consolidated statements of income and comprehensive income. Cash and cash equivalents consist of cash in the bank and short-term investments with maturities on acquisition of three months or less.

Loans and receivables

Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. Receivables are reduced by provisions for estimated bad debts which are determined by reference to past experience and expectations.

Financial assets classified as AFS

Financial assets that are not classified as at fair value through profit or loss or as loans and receivables are classified as AFS. A financial asset classified as AFS is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. AFS financial instruments are subsequently measured at fair value with unrealized gains and losses recognized in OCI and accumulated in accumulated other comprehensive income ("AOCI") until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss is reclassified to the consolidated statements of income and comprehensive income and removed from AOCI. AFS equity instruments not quoted in an active market where fair value is not reliably determinable are recorded at cost less impairment, if any, determined based on the present values of expected future cash flows.

Other financial liabilities

Financial liabilities within the scope of IAS 39 are classified as other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

Other financial liabilities are measured at amortized cost using the effective interest rate method. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to the long-term debt instruments are included in the value of the instruments and amortized using the effective interest rate method.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or when the Company transfers its rights to receive cash flows from the asset and the associated risks and rewards to a third party. The unrealized gains and losses recorded in AOCI are transferred to the consolidated statements of income and comprehensive income on disposal of an AFS asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Determination of fair value

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. The fair value of instruments that are quoted in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair values of cash and cash equivalents are classified within Level 1 because they are based on quoted prices for identical assets in active markets.

The fair value of portfolio investments measured at fair value is classified within Level 2 because even though the security is listed, it is not actively traded.

The fair value of third-party-produced equity film investments and the related forward purchase obligations are classified within Level 3 as there is little to no market activity, and are based on a discounted cash flow model and expected cash flows.

Investments where fair value is not reliably measurable are carried at cost, and thus not included within the hierarchy.

SHARE-BASED COMPENSATION

The Company has a stock option plan, two Deferred Share Units ("DSUs") plans, a Performance Share Units ("PSUs") plan and a Restricted Share Units ("RSUs") plan, with units under such plans awarded to certain employees and directors.

The fair value of the stock options granted which represent equity awards are measured using the Black-Scholes option pricing model. For stock options, the model considers each tranche with graded vesting features as a separate share option grant. Forfeitures for the stock options are estimated on the grant date and revised if the actual forfeitures differ from previous estimates.

This fair value is recognized as share-based compensation expense over the vesting periods with a related credit to contributed surplus. The contributed surplus balance is reduced as options are exercised through a credit to share capital. The consideration paid by option holders is credited to share capital when the options are exercised.

Eligible executives and non-employee directors may elect to receive DSUs equivalent in value to Class B Non-Voting Shares of the Company in lieu of certain cash payments. Share-based compensation expense is recorded in the year of receipt of the DSUs and changes in the fair value of outstanding DSUs, including deemed dividend equivalents, are recorded as an expense in the period that they occur. These DSUs can only be redeemed once the executive or director is no longer employed with the Company. Outstanding DSUs are recorded as long-term liabilities.

Eligible executives may be granted awards of DSUs, PSUs and RSUs equivalent in value to Class B Non-Voting Shares of the Company. PSUs, DSUs and RSUs vest after three to five years and are settled in cash at the end of the restriction period. DSUs, PSUs and RSUs are accrued over the three to five-year vesting period as share-based compensation expense and a related liability.

Forfeitures are estimated on the grant date and revised if the actual forfeitures differ from the estimates. The liability is recorded at fair value, which includes deemed dividend equivalents in the case of PSUs and DSUs, at each reporting date. Accrued DSUs, PSUs and RSUs are recorded as long-term liabilities, except for the portion that will vest within 12 months which is recorded as a current liability.

Each DSU, PSU and RSU entitles the participant to receive a cash payment in an amount equal to the 20-day volume weighted average price ("VWAP") of the Company's Class B Non-Voting Shares traded on the TSX at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria.

The cost of share-based compensation is included in direct cost of sales, general and administrative expenses.

EMPLOYEE BENEFITS

The Company has previously early adopted the revised version of IAS 19 - *Employee Future Benefits* fully and retrospectively.

The Company maintains capital accumulation (defined contribution) and defined benefit employee benefit plans. Company contributions to capital accumulation plans are expensed as incurred.

The defined benefit plans are unfunded plans for members of senior management and funded plans for certain other employees. The costs of providing benefits under the defined benefit plans are calculated by independent actuaries separately for each plan using the projected unit credit method prorated on service and management's best estimate of assumptions of future investment returns for funded plans, salary increases and retirement ages of employees. On an interim basis, management estimates the changes in the actuarial gains and losses. These estimates are adjusted when the annual valuation or estimate is completed by the independent actuaries. The present value of the defined benefit obligations are determined by discounting estimated future cash flows using a discount rate based on high-quality corporate bonds with maturities that match the expected maturity of the obligations. A lower discount rate would result in a higher employee benefit obligation.

Current service, interest and past service costs and gains or losses on settlement are recognized in the consolidated statements of income and comprehensive income. Actuarial gains and losses for the plan are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods. The asset or liability that is recognized on the consolidated statements of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets. For the funded plans, the value of any additional minimum funding requirements (as determined by the applicable pension legislation) is recognized to the extent that the amounts are not considered recoverable. Recoverability is primarily based on the extent to which the Company can reduce future contributions to the plan.

Past service costs are recognized immediately upon the introduction of, or changes to, the defined benefit plan.

IMPAIRMENT OF LONG-LIVED ASSETS

At each reporting date, the Company assesses its long-lived assets, including property, plant and equipment, program and film rights, film investments, goodwill and intangible assets, for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any impairment

indicator exists, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU to which it belongs. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

The Company records impairment losses on its long-lived assets when the Company believes that their carrying value may not be recoverable. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If the reasons for impairment no longer apply, impairment losses may be reversed up to a maximum of the carrying amount of the respective asset if the impairment loss had not been recognized.

Goodwill
Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred.

Goodwill is allocated to a CGU or group of CGUs for the purposes of impairment testing based on the level at which management monitors it, which is not larger than an operating segment. The Company records an impairment loss if the recoverable amount of the CGU or the group of CGUs is less than the carrying amount.

Refer to note 10 for further details on the Company's annual impairment testing for goodwill.

Broadcast licenses
Broadcast licenses are reviewed for impairment annually or more frequently if there are indications that impairment may have occurred.

Broadcast licenses are allocated to a CGU for the purposes of impairment testing. The Company records an impairment loss if the recoverable amount of the CGU is less than the carrying amount.

Refer to note 10 for further details on the Company's annual impairment testing for broadcast licenses.

Intangible assets
The useful lives of the intangible assets with definite lives (which are amortized) are confirmed at least annually and only tested for impairment if events or changes in circumstances indicate that an impairment may have occurred.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Where the Company is the lessee, asset values recorded under finance leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under finance leases are reduced by lease payments net of imputed interest. Operating lease commitments, for which lease payments are recognized as an expense in the consolidated statements of income and comprehensive income, are recognized on a straight-line basis over the lease term.

EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of stock options is determined using the treasury stock method.

USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported

amounts of revenues and expenses during the reporting periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results.

The most significant estimates made by management in the preparation of the Company's consolidated financial statements include estimates related to:

- future revenue projections used in determining amortization of film investments;
- impairment of long-lived assets including property, plant and equipment, program and film rights, film investments, goodwill and intangible assets;
- determining fair value of share-based compensation;
- employment benefit plans; and
- tax provisions and uncertain tax positions in each of the jurisdictions in which the Company operates.

The most significant judgments made by management in the preparation of the Company's consolidated financial statements include judgments related to:

- identifying CGUs;
- determining that broadcast licenses have indefinite lives;
- determining control for purposes of consolidation of an investment; and
- determining tax rate for recognition of deferred tax on broadcast licenses.

The significant assumptions that affect these estimates and judgments in the application of accounting policies are noted throughout these consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

IAS 12 - *Income Taxes*

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets measured at fair value and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 - *Investment Property*, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 - *Income Taxes – Recovery of Revalued Non-depreciable Assets*, as SIC-21 has been withdrawn. The effective date of the amendment is for annual periods beginning on or after January 1, 2012. The Company has assessed the impact of this amendment and there is no impact on its consolidated financial statements.

IAS 1 - *Presentation of Financial Statements*

The IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to income will be separated from items that will not. The standard is effective for fiscal years beginning on or after July 1, 2012 with early adoption permitted. The Company has adopted IAS 1 retrospectively and there are minimal disclosure differences.

PENDING ACCOUNTING CHANGES

IFRS 9 - *Financial Instruments: Classification and Measurement*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard for annual periods beginning on or after January 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

In December 2011, the IASB amended both IAS 32 - *Financial Instruments*: *Presentation* and IFRS 7 - *Financial Instruments*: *Disclosures* by moving the disclosure requirements in IAS 32 to IFRS 7 and enhancing the disclosures

about offsetting financial assets and liabilities. The effective date of the amendments is for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted but must be applied together with IFRS 9. The Company has assessed the impact of these standards and there is no impact on its consolidated financial statements.

IFRS 10 - *Consolidated Financial Statements*
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes SIC-12 - *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 - *Consolidated and Separate Financial Statements*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The Company has assessed the impact of this standard and determined there is no impact on its consolidated financial statements.

IFRS 11 - *Joint Arrangements*
IFRS 11 replaced IAS 31 *Interest in Joint Ventures* and SIC 13 - *Jointly Controlled Entities - Non-monetary Contributions by Ventures*. The standard eliminates the use of the proportionate consolidation method to account for jointly controlled entities. Joint ventures as defined in IFRS 11 will be accounted for using the equity method of accounting while for a joint operation the venture will recognize its right to the assets, liabilities, revenues and expenses of the joint operation. The new standard will be effective for Corus for its 2014 fiscal year with retroactive application to September 1, 2012. Corus currently proportionately consolidates its jointly controlled entities, TELETOON Canada Inc. and United Broadcast Sales. With the new standards, the revenue, expenses, assets and liabilities from these operations currently recognized in the Company's consolidated financial statements will be replaced by a single investment amount and equity pick up of Corus' shares of earnings using the equity method. Corus' fiscal 2013 restated revenue and segment profit are estimated to be lower by approximately $56,037 and $21,695, respectively, but with no change to net income. At August 31, 2013, net assets would remain the same. As a consequence of IFRS 11, IAS 28 has been renamed IAS 28 - *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 12 - *Disclosure of Interests in Other Entities*
IFRS 12 establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 - *Consolidated and Separate Financial Statements*, IAS 31 - *Joint Ventures* and IAS 28 - *Investment in Associates*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of this standard will affect disclosures but will not have an impact on the recognized amounts or measurements in the consolidated financial statements.

IFRS 13 - *Fair Value Measurement*
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 defines fair value and establishes disclosures about fair value measurement. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of this standard will affect disclosures but will not have an impact on the consolidated financial statements.

IAS 28 - I*nvestments in Associates and Joint Ventures*
The IASB also amended IAS 28, an existing standard, to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 12. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of the standard will have the aforementioned impact noted in IFRS 11 - *Joint Arrangements* above.

4. ACCOUNTS RECEIVABLE

	2013	2012
Trade	**165,197**	163,454
Other	**13,880**	12,820
	179,077	176,274
Less allowance for doubtful accounts	**2,573**	2,853
	176,504	173,421

5. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	Intangibles	Investments in associates	Other assets	Total
Balance - August 31, 2011	25,914	9,023	5,043	39,980
Increase (decrease) in investment	(8,953)	12,404	3,721	7,172
Equity earnings in associates	—	2,111	—	2,111
Dividends from associates	—	(3,100)	—	(3,100)
Amortization of intangible assets	(3,509)	—	—	(3,509)
Fair value adjustment	—	—	(264)	(264)
Balance - August 31, 2012	13,452	20,438	8,500	42,390
Increase (decrease) in investment	10,690	(8,606)	7,887	9,971
Investment Impairment	—	(3,399)	—	(3,399)
Equity earnings in associates	—	(138)	—	(138)
Dividends from associates	—	(1,100)	—	(1,100)
Amortization of intangible assets	(4,416)	—	—	(4,416)
Fair value adjustment	—	(485)	152	(333)
Balance - August 31, 2013	**19,726**	**6,710**	**16,539**	**42,975**

The Company expects the net book value of intangible assets with a finite life to be amortized by December 2020.

In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation, as well as other relevant provisions in shareholder agreements. The Company exercises significant influence over the following significant investments, which have been accounted for using the equity method and are included in other assets:

FINGERPRINT DIGITAL INC.

Fingerprint is an early stage mobile gaming company that focuses on educational gaming platforms for kids and their parents across any connected device.

FOOD NETWORK CANADA

Food Network is a Canadian Category A specialty television network. This brand is the destination for Canadians for all things food-related and provides entertainment programming related to food and nutrition.

Food Network had been classified as an associated business based on management's judgment that the Company has, based on rights to board representation and other provisions in the shareholder agreement, significant influence despite owning only 19.9% of the voting rights. On April 30, 2013, the Company disposed of its interest in Food Network Canada, which had a carrying value of $11,388 on the disposition date (note 27).

KIDSCO LIMITED

KidsCo Limited is an international children's television channel for preschoolers, children aged 6-10 and families. The channel is available in 18 languages and presented in over 100 territories on satellite, cable and IPTV platforms across Europe, Asia, Africa, Australia and the Middle East.

At August 31, 2013, the Company performed its annual impairment test for fiscal 2013 and determined that this investment was impaired based on expected future cash flows. As a result, an impairment charge was recorded in other expense (income) of $3,399.

SOCAST INC. (FORMERLY SUPERNOVA INTERACTIVE INC.)

SoCast Inc. is a digital media company that develops and creates software service platforms, including its social relationship management platform for entertainment companies.

The following amounts represent the Company's share in the financial position and results of operations of the associates:

	2013	2012
Assets	**7,025**	25,736
Liabilities	**315**	5,298
Net assets	**6,710**	20,438

	2013	2012
Revenues	**13,620**	15,126
Expenses	**13,758**	13,015
Net (loss) income for the year	**(138)**	2,111

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Broadcasting and computer equipment	Buildings and leasehold improvements	Furniture and fixtures	Other	Total
Cost						
Balance - August 31, 2011	5,555	145,775	100,603	18,858	3,472	274,263
Addition	—	12,459	4,602	1,936	313	19,310
Acquisitions	—	1,236	24	35	—	1,295
Disposals and retirements	(16)	(3,466)	(402)	(438)	(52)	(4,374)
Balance - August 31, 2012	5,539	156,004	104,827	20,391	3,733	290,494
Additions	—	11,564	2,179	793	—	14,536
Disposals and retirements	—	(25,642)	(726)	(2,233)	(1,269)	(29,870)
Balance - August 31, 2013	**5,539**	**141,926**	**106,280**	**18,951**	**2,464**	**275,160**
Accumulated depreciation						
Balance - August 31, 2011	—	83,671	12,904	7,027	1,061	104,663
Depreciation	—	17,237	5,489	2,361	316	25,403
Acquisitions	—	1,105	8	12	—	1,125
Disposals and retirements	—	(3,378)	(392)	(433)	(57)	(4,260)
Balance - August 31, 2012	—	98,635	18,009	8,967	1,320	126,931
Depreciation	—	16,659	5,818	2,538	117	25,132
Disposals and retirements	—	(25,286)	(587)	(2,227)	(201)	(28,301)
Balance - August 31, 2013	**—**	**90,008**	**23,240**	**9,278**	**1,236**	**123,762**
Net book value						
August 31, 2012	5,539	57,369	86,818	11,424	2,413	163,563
August 31, 2013	**5,539**	**51,918**	**83,040**	**9,673**	**1,228**	**151,398**

Included in property, plant and equipment are assets under finance lease with a cost of $27,355 at August 31, 2013 (2012 - $27,355) and accumulated depreciation of $16,764 (2012 - $11,850).

7. PROGRAM AND FILM RIGHTS

	Total
Balance - August 31, 2011	256,970
Additions	174,824
Transfers from film investments	25,798
Amortization	(186,348)
Balance - August 31, 2012	271,244
Additions	190,320
Transfers from film investments	17,793
Amortization	(190,176)
Balance - August 31, 2013	**289,181**

	2013	2012
Cost	**807,405**	861,152
Accumulated amortization	**518,224**	589,908
Net book value	**289,181**	271,244

The Company expects that 50% of the net book value of program and film rights will be amortized during the year ended August 31, 2014. The Company expects the net book value of program and film rights to be fully amortized by November 2018.

8. FILM INVESTMENTS

The following table sets out the continuity for film investments, which include the Company's internally produced proprietary film and television programs, acquired distribution rights and third-party-produced equity film investments:

	Total
Balance - August 31, 2011	83,133
Additions	68,382
Tax credit accrual	(25,733)
Amortization	(32,001)
Transfer to program and film rights	(25,798)
Balance - August 31, 2012	67,983
Additions	63,994
Tax credit accrual	(21,969)
Transfer to program and film rights	(17,793)
Investment impairment	(3,722)
Amortization	(25,759)
Balance - August 31, 2013	**62,734**

At August 31, 2013, the Company performed an impairment test on certain third-party-produced equity film investments and determined that one investment was impaired based on expected future cash flow. As a result, an impairment charge was recorded in other expense (income) of $3,722.

	2013	2012
Cost	**926,425**	908,601
Accumulated amortization	**863,691**	840,618
Net book value	**62,734**	67,983

The Company expects that 41% of the net book value of film investments will be amortized during the year ended August 31, 2014. The Company expects the net book value of film investments to be fully amortized by August 2023.

9. BROADCAST LICENSES AND GOODWILL

Broadcast licenses and goodwill are tested for impairment annually as at August 31, or more frequently if events or changes in circumstances indicate that they may be impaired. At August 31, 2013, the Company performed its annual impairment test for fiscal 2013 and determined that there were impairments for the year then ended related to certain broadcast licenses.

The changes in the book value of goodwill were as follows:

	Total
Balance - August 31, 2011	671,827
Acquisitions *(note 27)*	2,566
Balance - August 31, 2012	674,393
Balance - August 31, 2013	**674,393**

During fiscal 2012, the Company acquired the remaining 50% of the outstanding shares of Toon Boom Animation Inc. ("Toon Boom") (note 27).

The changes in the book value of broadcast licenses were as follows:

	Total
Balance - August 31, 2011	569,505
Balance - August 31, 2012	569,505
Impairments *(note 10)*	(5,734)
Balance - August 31, 2013	**563,771**

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2013. As certain Radio CGUs had actual results that fell short of previous estimates and the outlook for these markets is less robust, impairment losses of $5,734 were recorded for certain Radio broadcast licenses.

Broadcast licenses and goodwill are located primarily in Canada.

10. IMPAIRMENT TESTING

At each reporting date, the Company is required to assess its intangible assets and goodwill for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or CGU and compares it to the carrying value. In addition, irrespective of whether there is any indication of impairment, the Company is required to test intangible assets with an indefinite useful life and goodwill for impairment at least annually.

For long-lived assets other than goodwill, the Company is also required to assess, at each reporting date, whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

The Company completes its annual testing during the fourth quarter of each fiscal year.

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (such as broadcast licenses and goodwill) and the asset's value in use cannot be determined to equal its fair value less costs to sell. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

The Company has determined the value in use calculation is higher than fair value less costs to sell and therefore, the recoverable amount for all CGUs or groups of CGUs for the purpose of the annual broadcast license and goodwill impairment tests is based on value in use, with the exception of one CGU.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The value in use calculation uses cash flow projections, generally for a five-year period, and a terminal value. The terminal value is the value attributed to the CGU's operations beyond the projected period using a perpetuity growth rate. The key assumptions in the value in use calculations are segment profit growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value), future levels of capital expenditures and discount rates.

Segment profit growth rates and future levels of capital expenditures are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the CGU operates. The projections are prepared separately for each of the Company's CGUs to which the individual assets are allocated and are based on the most recent financial budgets approved by the Company's Board of Directors and management forecasts generally covering a period of five years with growth rate assumptions ranging from 2% to 4% per year. For longer periods, a terminal growth rate is determined and applied to project future cash flows after the fifth year. This growth rate is based on management's best estimates considering the industry, operating income trends and growth prospects for that specific CGU or group of CGUs.

- The discount rate applied to each asset, CGU or group of CGUs to determine value in use is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset or CGU's cash flow projections.
- In calculating the value in use, the Company uses an appropriate range of discount rates in order to establish a range of values for each CGU or group of CGUs.

The pre-tax discount and perpetual growth rates used by the Company for the purpose of impairment testing for each of the following CGU or group of CGUs in the following periods were:

	Fiscal 2013		**Fiscal 2012**	
	Growth	Discount	Growth	Discount
Television	2%	12%	2%	12%
Managed brand	2%	12%	2%	12%
Other	2%	12%	2%	12%
Radio	2%	13%	2%	12%

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount and the reduction is recorded as an impairment loss in the consolidated statements of income and comprehensive income.

If the recoverable amount of a CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs and then to the other assets of the CGU or group of CGUs pro rata on the basis of the carrying amount of each asset in the CGU or group of CGUs. The individual assets in the CGU cannot be written down below their fair value less costs to sell.

Except for goodwill, a previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income and comprehensive income.

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2013. As certain CGUs had actual results that fell short of previous estimates and the outlook for these markets is less robust, impairment losses of $5,734 were recorded for certain Radio broadcast licenses. No reasonable possible changes in a key assumption would have resulted in a further impairment.

The carrying amounts of goodwill and broadcast licenses allocated to each CGU and/or group of CGUs are set out in the following tables:

	2013	2012
Goodwill		
Television	**441,112**	441,112
Radio	**233,281**	233,281
	674,393	674,393

	2013	2012
Broadcast licenses		
Television		
Managed brands	**351,101**	351,101
Other	**56,159**	56,159
Radio [1]	**156,511**	162,245
	563,771	569,505

[1] Broadcast licenses for Radio consist of all Radio CGUs combined. There is no individual Radio CGU that comprises more than 10% of the total broadcast license balance.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2013	2012
Trade accounts payable and accrued liabilities	**71,813**	78,397
Program rights payable	**81,415**	83,753
Film investment accruals	**2,620**	3,257
Dividends payable	**14,358**	13,333
Financing lease accruals	**2,457**	7,251
	172,663	185,991

12. PROVISIONS

In the fourth quarter of fiscal 2013, the Company undertook a significant restructuring to realign its organizational structure. This resulted in the Company recording a charge of $4,424 in fiscal 2013, primarily related to severance and employee related costs.

In the third quarter of fiscal 2012, the Company undertook restructuring of certain functions within its organization as a continuation of its efforts to streamline processes. This resulted in the Company recording a charge of $2,325.

The Company anticipates that these provisions will be substantially paid by fiscal 2014.

The continuity of provisions is as follows:

	2013	2012
Restructuring		
Balance, beginning of year	**2,452**	5,330
Work-force reduction initiatives	**4,424**	2,325
Payments	**(2,435)**	(5,203)
Balance, end of year	**4,441**	2,452
Long-term portion	**(1,094)**	(405)
Total current restructuring provision	**3,347**	2,047
Legal claims	**594**	275
Total current provision balance, end of year	**3,941**	2,322

13. LONG-TERM DEBT

	2013	2012
Bank loans	**—**	29,965
Senior unsecured guaranteed notes	**550,000**	500,000
Unamortized financing fees	**(11,034)**	(11,707)
	538,966	518,258

In the second quarter of fiscal 2013, the Company issued $550.0 million principal amount of 4.25% Senior Unsecured Guaranteed Notes due February 11, 2020 ("2020 Notes") and redeemed the existing $500.0 million principal amount of 7.25% Senior Unsecured Guaranteed Notes due February 10, 2017 ("2017 Notes") effective March 16, 2013.

The transactions noted above resulted in the Company recording debt refinancing costs of $25.0 million in the second quarter of fiscal 2013 which included the early redemption premium of $18.1 million and the non-cash write-off of unamortized financing fees of $6.9 million related to the 2017 Notes.

On February 27, 2013, the Company's $500.0 million credit facility, available on a revolving basis, with a syndicate of banks was amended. The principal amendment was to extend the maturity date to February 11, 2017.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. At August 31, 2013, the weighted average interest rate on the outstanding bank loans and Notes was 4.3% (2012 – 7.2%). Interest on the bank loans and notes averaged 5.8% for fiscal 2013 (2012 – 7.0%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreement. Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2013.

14. OTHER LONG-TERM LIABILITIES

	2013	2012
Public benefits associated with acquisitions	**1,414**	2,080
Unearned revenue	**8,751**	7,102
Program rights payable	**32,514**	21,467
Long-term employee obligations	**30,343**	28,105
Deferred leasehold inducements	**15,414**	14,766
Merchandising and trademark liabilities	**13,486**	12,494
Finance lease accrual	**3,098**	1,839
	105,020	87,853

15. SHARE CAPITAL

AUTHORIZED

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares, and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B NonVoting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount

of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares in connection with the payment of dividends.

The Class 1 and Class 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding-up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares, which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

ISSUED AND OUTSTANDING

The changes in the Class A Voting Shares and Class B Non-Voting Shares are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance - August 31, 2011	3,439,212	26,633	79,029,261	856,046	882,679
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,920)	(38)	4,920	38	—
Issuance of shares under Stock Option Plan	—	—	794,750	13,668	13,668
Issuance of shares under dividend reinvestment plan	—	—	1,226,149	25,982	25,982
Shares repurchased	—	—	(1,130,696)	(12,435)	(12,435)
Repayment of executive stock purchase loans	—	—	—	111	111
Balance - August 31, 2012	3,434,292	26,595	79,924,384	883,410	910,005
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,000)	(31)	4,000	31	—
Issuance of shares under stock option plan	—	—	50,200	1,155	1,155
Issuance of shares under dividend reinvestment plan	—	—	1,134,666	26,731	26,731
Shares repurchased	—	—	(64,104)	(708)	(708)
Balance - August 31, 2013	**3,430,292**	**26,564**	**81,049,146**	**910,619**	**937,183**

No Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares are outstanding at August 31, 2013.

STOCK OPTION PLAN

Under the Company's Stock Option Plan (the "Plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of, or consultants to, the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the closing market price of the Company's stock on the trading date immediately preceding the date of the grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding is presented as follows:

	Number of options (#)	Weighted average exercise price per share ($)
Outstanding - August 31, 2011	2,244,773	16.68
Granted	376,700	19.59
Exercised	(794,750)	12.64
Forfeited or expired	(10,625)	17.54
Outstanding - August 31, 2012	1,816,098	19.04
Granted	595,900	22.00
Exercised	(50,200)	17.60
Forfeited or expired	(203,725)	16.15
Outstanding - August 31, 2013	**2,158,073**	**20.17**

As at August 31, 2013, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
17.50 - 18.29	723,700	3.1	17.57	639,200	17.57
18.30 - 21.91	425,373	5.2	19.82	142,029	20.29
21.92 - 22.65	1,009,000	5.4	22.18	282,150	22.49
	2,158,073	**4.6**	**20.17**	**1,063,379**	**19.24**

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the options' vesting period on a straight-line basis. In fiscal 2013, the Company has recorded share-based compensation expense of $1,586 (2012 – $1,158). This charge has been credited to contributed surplus. Unrecognized share-based compensation expense at August 31, 2013 related to the Plan was $1,466 (2012 - $1,015).

The fair value of each option granted in fiscal 2013 and 2012 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Granted in 2013 and vesting in:	**2014**	**2015**	**2016**	**2017**
Fair value	$3.59	$3.57	$3.76	$3.43
Risk-free interest rate	1.4%	1.5%	1.5%	1.5%
Expected dividend yield	4.4%	4.4%	4.4%	4.4%
Expected share price volatility	28.9%	28.4%	29.4%	27.2%
Expected time until exercise (years)	5	6	6	7

Granted in 2012 and vesting in:	**2013**	**2014**	**2015**	**2016**
Fair value	$3.18	$3.52	$3.23	$3.28
Risk-free interest rate	1.7%	1.8%	1.9%	2.0%
Expected dividend yield	4.4%	4.4%	4.4%	4.4%
Expected share price volatility	28.5%	30.5%	28.0%	28.0%
Expected time until exercise (years)	5	6	6	7

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

On October 24, 2013, the Company granted a further 642,600 options for Class B Non-Voting Shares to eligible officers and employees of the Company. These options are exercisable at $23.67 per share.

DIVIDENDS

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, a dividend which is $0.005 per share per annum higher than that received on the Class A Voting Shares. This higher dividend rate is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

2013 **Date of record**	**Date paid**	**Class A** **Amount paid**	**Class B** **Amount paid**
September 14, 2012	September 28, 2012	**$0.079583**	**$0.0800**
October 15, 2012	October 31, 2012	**$0.079583**	**$0.0800**
November 15, 2012	November 30, 2012	**$0.079583**	**$0.0800**
December 14, 2012	December 31, 2012	**$0.079583**	**$0.0800**
January 15, 2013	January 31, 2013	**$0.079583**	**$0.0800**
February 14, 2013	February 28, 2013	**$0.084583**	**$0.0850**
March 14, 2013	March 28, 2013	**$0.084583**	**$0.0850**
April 15, 2013	April 30, 2013	**$0.084583**	**$0.0850**
May 15, 2013	May 31, 2013	**$0.084583**	**$0.0850**
June 14, 2013	June 28, 2013	**$0.084583**	**$0.0850**
July 15, 2013	July 31, 2013	**$0.084583**	**$0.0850**
August 15, 2013	August 30, 2013	**$0.084583**	**$0.0850**
		$0.989996	**$0.9950**

2012 **Date of record**	**Date paid**	**Class A** **Amount paid**	**Class B** **Amount paid**
September 15, 2011	September 30, 2011	$0.072083	$0.0725
October 14, 2011	October 31, 2011	$0.072083	$0.0725
November 15, 2011	November 30, 2011	$0.072083	$0.0725
December 15, 2011	December 30, 2011	$0.072083	$0.0725
January 16, 2012	January 31, 2012	$0.072083	$0.0725
February 15, 2012	February 29, 2012	$0.079583	$0.0800
March 15, 2012	March 30, 2012	$0.079583	$0.0800
April 16, 2012	April 30, 2012	$0.079583	$0.0800
May 15, 2012	May 31, 2012	$0.079583	$0.0800
June 15, 2012	June 29, 2012	$0.079583	$0.0800
July 16, 2012	July 31, 2012	$0.079583	$0.0800
August 15, 2012	August 31, 2012	$0.079583	$0.0800
		$0.917496	$0.9225

The total amount of dividends declared in fiscal 2013 was $84,452 (2012 - $78,143).

On October 24, 2013, the Company declared dividends of $0.084583 per Class A Voting Share and $0.085 per Class B Non-Voting Share payable on each of November 29, 2013, December 30, 2013 and January 31, 2014 to the shareholders of record at the close of business on November 15, 2013, December 13, 2013 and January 15, 2014, respectively.

EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator (in thousands) used for the computation of the basic and diluted earnings per share amounts:

	2013	2012
Net income attributable to shareholders (numerator)	**159,895**	148,681
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**83,860**	83,240
Effect of dilutive securities	**330**	328
Weighted average number of shares outstanding - diluted	**84,190**	83,568

The calculation of diluted earnings per share for fiscal 2013 excluded nil (2012 – 467,701) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

SHARE-BASED COMPENSATION

The following table provides additional information on the employee PSUs, DSUs and RSUs as follows:

	PSUs #	**DSUs #**	**RSUs #**
Balance - August 31, 2011	876,708	493,732	246,887
Additions	304,850	114,477	54,550
Deemed dividend equivalents	34,691	25,494	—
Forfeitures	(63,727)	—	(6,450)
Payments	(267,455)	—	(205,113)
Balance - August 31, 2012	885,067	633,703	89,874
Additions	319,783	79,019	51,903
Deemed dividend equivalents	33,803	29,519	—
Forfeitures	(8,655)	—	(3,159)
Payments	(319,697)	(3,725)	—
Balance - August 31, 2013	**910,301**	**738,516**	**138,618**

Share-based compensation expense recorded for the year in respect of these plans was $12,953 (2012 – $11,061). As at August 31, 2013, the carrying value of these units, estimated based on the number of units at the end of the year that have vested multiplied by the closing share price at the end of the year, was $27,046 (2012 – $24,743).

DIVIDEND REINVESTMENT PLAN

The Company's Board of Directors has approved a discount of 2% for Class B Non-Voting Shares issued from treasury pursuant to the terms of its dividend reinvestment plan. In fiscal 2013, the Company issued 1,134,666 Class B Non-Voting Shares, resulting in an increase in share capital of $26,731.

NORMAL COURSE ISSUER BID

On June 20, 2012, the Company announced that the TSX had accepted the notice filed by the Company of its intention to renew its Normal Course Issuer Bid for its Class B Non-Voting Participating Shares through the facilities of the TSX, or other alternative Canadian trading systems. The Company was authorized to purchase for cancellation a maximum of 4,000,000 Class B Non-Voting Participating Shares during the period from June 22, 2012 through June 21, 2013.

On June 14, 2011, the Company announced that the TSX had accepted the notice filed by the Company of its intention to make a Normal Course Issuer Bid for its Class B Non-Voting Participating Shares through the facilities of the TSX, or other alternative Canadian trading systems. The Company was authorized to purchase for cancellation a maximum of 3,900,000 Class B Non-Voting Participating Shares during the period from June 16, 2011 through June 15, 2012.

The shares purchased for cancellation are as follows:

	#	$	Average per share $
September 2011	194,800	3,888	19.96
July 2012	418,696	9,607	22.95
August 2012	517,200	11,800	22.82
Fiscal 2012	1,130,696	25,295	22.37
September 2012	64,104	1,464	22.84
Fiscal 2013	**64,104**	**1,464**	**22.84**
	1,194,800	**26,759**	**22.40**

During fiscal 2013, the total cash consideration paid exceeded the carrying value of the shares repurchased by $756 (2012 - $12,860), which was charged to retained earnings.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign currency translation adjustment	Unrealized change in fair value of available-for-sale investments	Actuarial (losses) gains on defined benefit plans	Total
Balance - August 31, 2011	(1,551)	476	—	(1,075)
Items that may be subsequently reclassified to income:				
Amount	486	(264)	—	222
Income tax	—	41	—	41
	486	(223)	—	263
Items never subsequently reclassified to income:				
Amount	—	—	(4,010)	(4,010)
Income tax	—	—	1,060	1,060
	—	—	(2,950)	(2,950)
Transfer to retained earnings			2,950	2,950
Balance - August 31, 2012	(1,065)	253	—	(812)
Items that may be subsequently reclassified to income:				
Amount	2,333	152		2,485
Income tax	—	(20)	—	(20)
	2,333	132	—	2,465
Items never subsequently reclassified to income:				
Amount	—	—	838	838
Income tax	—	—	(222)	(222)
	—	—	616	616
Transfer to retained earnings	—	—	(616)	(616)
Balance - August 31, 2013	**1,267**	**386**	**—**	**1,653**

17. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
Amortization of program and film rights	**190,176**	186,348
Amortization of film investments	**25,759**	32,001
Other cost of sales	**35,371**	47,305
Employee costs	**155,687**	151,361
Other general and administrative	**126,536**	135,282
	533,529	552,297

Other cost of sales relates to merchandising, distribution and other revenues.

18. INTEREST EXPENSE

	2013	2012
Interest on long-term debt	**32,814**	38,844
Imputed interest on long-term liabilities	**11,816**	11,348
Other	**1,702**	2,077
	46,332	52,269

19. OTHER EXPENSE (INCOME), NET

	2013	2012
Interest income	**(1,091)**	(692)
Foreign exchange losses	**876**	553
Share of earnings (loss) of associates	**138**	(2,111)
Investment impairment *(note 8)*	**3,722**	—
Investment in associates impairment charge *(note 5)*	**3,399**	—
Other	**1,509**	(3,237)
	8,553	(5,487)

20. INCOME TAXES

The significant components of income tax expense are as follows:

	2013	2012
Current tax expense	**51,091**	44,320
Deferred tax expense		
Resulting from temporary differences	**(3,288)**	4,219
Resulting from the (recognition) utilization of tax losses	**(284)**	3,323
Resulting from tax rate changes	**—**	6,834
Resulting from the reversal of various future tax reserves	**(7,288)**	(1,420)
Other	**(472)**	(35)
Income tax expense reported in the consolidated statements of income and comprehensive income	**39,759**	57,241

A reconciliation of income tax computed at the statutory tax rates to income tax expense is as follows:

	2013		2012	
	$	**%**	$	%
Income tax at combined statutory rate	**54,381**	**26.5**	57,277	26.8
Income subject to tax at less than statutory rates	**(1,022)**	**(0.5)**	(3,500)	(1.6)
Non-taxable portion of capital gains	**(10,125)**	**(5.0)**	(638)	(0.3)
Impact of change in long-term tax rate	**—**	**—**	6,834	3.2
Increase (recovery) of various tax reserves	**(6,383)**	**(3.1)**	(1,811)	(0.9)
Other	**2,908**	**1.4**	(921)	(0.4)
Income tax expense at effective rate	**39,759**	**19.3**	57,241	26.8

The change in the Company's statutory tax rate from the prior year resulted from a change to substantively enacted provincial income tax rates and also from a change in the relative proportions of income (loss) earned in the various provinces.

The movement in the net deferred tax asset (liability) was as follows:

	Broadcast licenses and other intangibles	Accrued compensation	Fixed assets and film assets	Program rights	Non-capital loss carry forwards	Investments	Financing and debt retirement	Other	Total
	$	$	$	$	$	$	$	$	$
August 31, 2011	(143,543)	8,074	18,554	1,604	5,758	(1,998)	152	951	(110,448)
Recognized in profit or loss	(8,662)	930	(1,164)	(511)	(3,323)	(503)	(1,137)	1,450	(12,920)
Recognized in OCI	—	1,061	—	—	—	41	—	—	1,102
Recognized in equity	—	—	—	—	—	—	—	(2)	(2)
Acquisitions / (dispositions)	(636)	—	—	—	—	—	—	260	(376)
August 31, 2012	(152,841)	10,065	17,390	1,093	2,435	(2,460)	(985)	2,659	(122,644)
Recognized in profit or loss	605	653	(674)	(38)	284	1,972	5,129	3,400	11,331
Recognized in OCI	—	(222)	—	—	—	(20)	—	—	(242)
Recognized in equity	—	—	—	—	—	—	—	(139)	(139)
August 31, 2013	**(152,236)**	**10,496**	**16,716**	**1,055**	**2,719**	**(508)**	**4,144**	**5,920**	**(111,694)**

At August 31, 2013, the Company had approximately $10,307 (2012 - $9,324) of non-capital loss carryforwards available which expire between the years 2026 and 2033. A deferred tax asset of $2,438 (2012 - $2,435) has been recognized in respect of these losses and a tax benefit of $284 (2012 - $284) has not been recognized.

At August 31, 2013, the Company had approximately $28,792 (2012 - $58,127) of capital loss carryforwards available which have no expiry date. No tax benefit has been recognized in respect of these losses.

The Company has taxable temporary differences associated with its investments in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

There are no income tax consequences attached to the payment of dividends, in either 2013 or 2012, by the Company to its shareholders.

21. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two segments: Television and Radio.

TELEVISION

The Television division is comprised of specialty television networks, pay television services, conventional television stations, and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing, publishing and animation software sales.

RADIO

The Radio division comprises 37 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations.

Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, restructuring and certain other income and expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent audited consolidated financial statements.

Year ended August 31, 2013	Television	Radio	Corporate	Consolidated
Revenues	619,850	183,691	—	**803,541**
Direct cost of sales, general and administrative expenses	371,071	128,543	33,915	**533,529**
Segment profit (loss)	248,779	55,148	(33,915)	**270,012**
Depreciation and amortization				**26,903**
Interest expense				**46,332**
Broadcast license and goodwill impairment				**5,734**
Debt refinancing				**25,033**
Business acquisition, integration and restructuring costs				**7,343**
Gain on sale of associated company				**(55,394)**
Other expense, net				**8,553**
Income before income taxes				**205,508**

Year ended August 31, 2012	Television	Radio	Corporate	Consolidated
Revenues	650,949	191,327	—	842,276
Direct cost of sales, general and administrative expenses	388,811	133,900	29,586	552,297
Segment profit (loss)	262,138	57,427	(29,586)	289,979
Depreciation and amortization				25,639
Interest expense				52,269
Business acquisition, integration and restructuring costs				4,166
Other income, net				(5,487)
Income before income taxes				213,392

The following tables present further details on the operating segments within the Television and Radio divisions:

Revenues are derived from the following areas:

	2013	2012
Advertising	**381,475**	386,045
Subscriber fees	**298,971**	297,927
Merchandising, distribution and other	**123,095**	158,304
	803,541	842,276

Revenues are derived from the following geographical sources, by location of customer:

	2013	2012
Canada	**747,620**	745,543
International	**55,921**	96,733
	803,541	842,276

SEGMENT ASSETS AND LIABILITIES

	August 31, 2013	August 31, 2012
Assets		
Television	**1,434,372**	1,432,075
Radio	**460,341**	469,746
Corporate	**297,867**	179,664
	2,192,580	2,081,485
Liabilities		
Television	**276,830**	269,546
Radio	**75,488**	78,166
Corporate	**619,429**	597,683
	971,747	945,395

Assets and liabilities are located primarily within Canada.

CAPITAL EXPENDITURES BY SEGMENT

	2013	2012
Television	**3,119**	3,759
Radio	**2,401**	3,843
Corporate	**7,523**	11,641
	13,043	19,243

Property, plant and equipment are located primarily within Canada.

22. INTERESTS IN JOINT VENTURES

The Company has interests in the following jointly controlled entities:

	2013	2012
TELETOON Canada Inc.	**50%**	50%
United Broadcast Sales	**50%**	50%

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in jointly controlled entities:

	2013	2012
Assets		
Current	**18,186**	16,409
Non-current	**47,044**	43,127
Total assets	**65,230**	59,536
Liabilities		
Current	**8,425**	7,503
Non-current	**5,176**	5,978
Total liabilities	**13,601**	13,481
Net assets	**51,629**	46,055

	2013	2012
Revenues	**56,037**	56,328
Expenses	**40,173**	41,086
Net income for the year	**15,864**	15,242
Cash provided by operating activities	**10,456**	10,565
Cash used in investing activities	**(20)**	(159)

23. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

Total managed capital is as follows:

	2013	2012
Long-term debt	**538,966**	518,258
Cash and cash equivalents	**(86,081)**	(24,588)
Net debt	**452,885**	493,670
Shareholders' equity	**1,220,833**	1,136,090
	1,673,718	1,629,760

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital on a number of bases, including: net debt to segment profit ratio and dividend yield. The Company's stated objectives are not to exceed a net debt to segment profit ratio of 3.5 times, and maintain a dividend yield in excess of 2.5%. The Company believes that these objectives provide a reasonable framework for providing a return to shareholders. The Company is currently operating within these internally imposed objectives.

The Company is not subject to any externally imposed capital requirements, and there has been no change in the Company's capital management approach during the period.

24. FINANCIAL INSTRUMENTS

The following tables set out the classification of financial and non-financial assets and liabilities:

As at August 31, 2013	**Fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	**86,081**	**—**	**—**	**—**	**—**	**86,081**
Accounts receivable	**—**	**176,504**	**—**	**—**	**—**	**176,504**
Promissory note receivable	**—**	**47,759**	**—**	**—**	**—**	**47,759**
Intangibles, investments and other assets	**—**	**210**	**12,971**	**—**	**29,794**	**42,975**
Other assets	**—**	**—**	**6,041**	**—**	**1,833,220**	**1,839,261**
Total assets	**86,081**	**224,473**	**19,012**	**—**	**1,863,014**	**2,192,580**
Accounts payable, accrued liabilities and provisions	**—**	**—**	**—**	**176,604**	**—**	**176,604**
Long-term debt	**—**	**—**	**—**	**538,966**	**—**	**538,966**
Other long-term liabilities	**—**	**—**	**—**	**49,098**	**55,922**	**105,020**
Other liabilities	**—**	**—**	**—**	**—**	**151,157**	**151,157**
Total liabilities	**—**	**—**	**—**	**764,668**	**207,079**	**971,747**

As at August 31, 2012	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	24,588	—	—	—	—	24,588
Accounts receivable	—	173,421	—	—	—	173,421
Intangibles, investments and other assets	—	230	4,325	—	37,835	42,390
Other assets	—	—	11,793	—	1,829,293	1,841,086
Total assets	24,588	173,651	16,118	—	1,867,128	2,081,485
Accounts payable, accrued liabilities and provisions	—	—	—	188,313	—	188,313
Long-term debt	—	—	—	518,258	—	518,258
Other long-term liabilities	—	—	—	35,800	52,053	87,853
Other liabilities	—	—	—	—	150,971	150,971
Total liabilities	—	—	—	742,371	203,024	945,395

FAIR VALUES

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

The fair value of publicly traded shares included in intangibles, investments and other assets is determined by quoted share prices in active markets. The fair value of other financial instruments included in this category is determined using other valuation techniques.

The fair value of bank loans is estimated based on discounted cash flows using year-end market yields, adjusted to take into account the Company's own credit risk. On February 28, 2013, the Company's bank loans were amended and as a result, the Company has estimated the fair value of its bank debt to be approximately equal to its carrying amount as at August 31, 2013.

The fair value of the Company's Notes is estimated based on the trading price of the Notes, which takes into account the Company's own credit risk. At August 31, 2013, the Company has estimated the fair value of its Notes to be approximately $518,650 (2012 - $529,065).

The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following tables present information related to the Company's financial assets measured at fair value on a recurring basis and the level within the guidance hierarchy in which the fair value measurements fall at August 31 as follows:

As at August 31, 2013	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	**86,081**	**—**	**—**
Investments	**—**	**1,193**	**—**
Other financial assets	**—**	**—**	**6,041**
Assets carried at fair value	**86,081**	**1,193**	**6,041**

As at August 31, 2012	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	24,588	—	—
Investments	—	602	—
Other financial assets	—	—	11,677
Assets carried at fair value	24,588	602	11,677

Excluded from the above tables are the Company's investments that are measured at cost as fair value is not reliably measured.

RISK MANAGEMENT

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The maximum exposure to credit risk is the carrying amount of the financial assets.

The following table sets out the details of the age of receivables and allowance for doubtful accounts at August 31 as follows:

	2013	2012
Trade		
Current	**95,676**	92,190
One to three months past due	**55,094**	60,308
Over three months past due	**14,427**	10,956
	165,197	163,454
Other	**13,880**	12,820
	179,077	176,274
Less allowance for doubtful accounts	**2,573**	2,853
	176,504	173,421

The following table sets out the continuity for the allowance for doubtful accounts:

	2013	2012
Balance, beginning of year	**2,853**	2,523
Provision for doubtful accounts	**368**	1,231
Write-off of bad debts	**(648)**	(901)
Balance, end of year	**2,573**	2,853

The Company invoices 15% of its revenues to one related party (2012 - 15%). This related party comprises 12% of the accounts receivable balance as at August 31, 2013 (2012 - 13%).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2013 was approximately $500,000 (2012 - $470,000). Further information with respect to the Company's long-term debt facility is provided in note 13.

The following table sets out the undiscounted contractual obligations related to repayment of long-term debt, program rights payable and other liabilities as at August 31, 2013:

	Total	Less than one year	One to three years	Beyond three years
Long-term debt	**538,966**	—	—	538,966
Interest on notes	**151,938**	23,375	46,750	81,813
Program rights payable	**117,946**	81,517	29,635	6,794
Accounts payable and other accrued liabilities	**95,186**	95,186	—	—
Other liabilities	**1,581**	527	1,054	—
	905,617	200,605	77,439	627,573

In fiscal 2013, the Company incurred interest on bank debt and Senior Unsecured Guaranteed Notes of $32,814 (2012 - $38,844).

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all instruments traded in the market.

The Company is exposed to foreign exchange risk through its treasury function, international content distribution operations and U.S. dollar denominated programming purchasing. The most significant foreign currency exposure is to movements in the U.S. dollar to Canadian dollar exchange rate and the U.S dollar to Euro exchange rate. The impact of foreign exchange on income before income taxes and non-controlling interest is detailed in the table below:

	2013	2012
Direct cost of sales, general and administrative expenses	**(10)**	187
Other income, net	**(876)**	554
	(886)	741

An assumed 10% increase or decrease in exchange rates as at August 31, 2013 would not have had a material impact on net income or other comprehensive income for the year.

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2013 would not have had a material impact on net income for the year.

Other considerations
The Company does not engage in trading or other speculative activities with respect to derivative financial instruments.

25. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

i) Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	2013	2012
Interest paid	**35,346**	41,345
Interest received	**1,091**	692
Income taxes paid	**31,471**	52,992

Net change in non-cash working capital balances related to operations consists of the following:

	2013	2012
Accounts receivable	**(1,768)**	6,861
Prepaid expenses and other	**(3,832)**	901
Accounts payable and accrued liabilities	**(6,105)**	(15,689)
Income taxes payable and recoverable	**9,273**	(9,034)
Other long-term liabilities	**5,249**	(14,258)
Other	**1,767**	18,020
	4,584	(13,199)

ii) Non-cash transactions:

The consolidated statements of cash flows exclude the following non-cash transaction with a related party:

	2013	2012
Promissory note *(note 27)*	**47,759**	—

26. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include $4,945 (2012 - $3,605) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenues include $1,105 (2012 - $1,087) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 15%.

27. BUSINESS COMBINATIONS AND DIVESTITURES

TRANSACTIONS WITH SHAW COMMUNICATIONS INC. ("SHAW")

During the third quarter of 2013, the Company entered into a series of agreements with Shaw, a related party subject to common voting control.

On April 30, 2013, the Company disposed of its 20% interest in Food Network Canada to Shaw Media, a division of Shaw, for $66.8 million, resulting in a gain of $55.4 million (note 5). Contemporaneously, on April 30, 2013, the Company acquired the remaining 49% interest in the voting shares of ABC Spark from Shaw, increasing its ownership interest to 100%. The carrying value of the non-controlling interest of ABC Spark at the acquisition date was $1.9 million. The $17.2 million difference between the consideration and the carrying value of the interest acquired has been recognized in retained earnings within shareholders' equity. The Company received non-interest bearing promissory notes from Shaw of $47.8 million to satisfy the net consideration in respect of these transactions.

In addition, the Company has agreed to acquire from Shaw its 50% interest in two French-language channels, Historia and Séries+ s.e.n.c. ("H&S"). The sale of H&S is pending approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"). The promissory notes from Shaw are due and payable on closing of the Company's acquisition of H&S from Shaw (note 28).

TOON BOOM ANIMATION INC. ("TOON BOOM")

On March 1, 2012, the Company acquired the remaining 50% of the outstanding ordinary shares of Toon Boom, a digital content and animation creation software company that delivers its products and services online to its global community. Previous to this transaction, the Company held 50% equity ownership and proportionately consolidated Toon Boom. The fair value of the Company's equity interest in Toon Boom before the business combination amounted to $4.1 million. The Company recorded a gain of $2.4 million as a result of remeasuring at fair value its 50% previously owned equity ownership of Toon Boom, which is recorded in other expense (income), net.

The results of operations of this company, as well as its assets and liabilities, are now included in the Television segment, effective March 1, 2012, at 100%. The total cash consideration paid was $4.1 million. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned value of net assets acquired	
Net assets	5,642
Goodwill	2,566
Assigned fair value of 100% of Toon Boom	8,208
Fair value of initial equity investment in Toon Boom	(4,104)
Cash consideration given	**4,104**

The Company identified intangible assets of $2.3 million and goodwill of $2.6 million, which primarily relates to the workforce and is expected to not be deductible for income tax purposes.

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES

On March 4, 2013, the Company announced that it had entered into agreements (the "Bell Agreements") with Bell Media Inc. ("Bell") to acquire the 50% interest in TELETOON that it does not already own, two Ottawa based radio stations, CKQB-FM and CJOT-FM, and a 50% interest in the French-language specialty channels, Historia and Séries+ s.e.n.c. ("H&S"), each of which would be acquired by Bell as part of its acquisition of Astral Media Inc. ("Astral") prior to the sale to Corus. In addition, the Company announced that it had entered into a separate agreement with Shaw to acquire the remaining 50% interest in H&S (note 27). These transactions have received Competition Bureau clearance, but are still subject to conditions, including approval by the CRTC.

The total purchase price to be paid by Corus pursuant to the transactions contemplated by the Bell Agreements is $400.6 million, subject to certain working capital adjustments. The cash considerations to be paid by Corus to Shaw, net of promissory notes from Shaw (note 27), is $93.6 million, subject to certain working capital adjustments. On June 27, 2013, the CRTC approved Bell's acquisition of Astral. This event has satisfied one of the conditions of the

Bell Agreements. The Company is in the process of seeking CRTC approval of the above mentioned acquisitions; however, if Corus is unable to consummate one or more of the transactions contemplated by the Bell Agreements under certain circumstances (including not being able to obtain CRTC approval), Corus has agreed to indemnify Bell for any net loss, up to a maximum of $400.6 million, that is suffered upon a subsequent sale of the applicable assets to a third-party purchaser relative to the respective purchase prices agreed to in the Bell Agreements.

As at August 31, 2013, the Company has no existing interest in H&S, nor does the Company have an existing interest in the Ottawa based radio stations, CKQB-FM and CJOT-FM.

The book value of the Company's existing 50% equity interest in TELETOON is $120 million at August 31, 2013. Upon acquiring control of TELETOON, the Company will account for its acquisition in accordance with IFRS 3 Business Combinations. The Company expects to record a gain of approximately $130 million as a result of remeasuring its existing interest to its fair value of approximately $250 million upon acquisition of control, which will be recorded in other expense (income), net of taxes.

LEASES

The Company enters into operating leases for the use of facilities and equipment. During fiscal 2013, rental expenses in direct cost of sales, general and administrative expenses totalled approximately $21,239 (2012 - $20,546). Future minimum rentals payable under non-cancellable operating leases at August 31 are as follows:

	2013	2012
Within one year	**24,428**	24,350
After one year but not more than five years	**88,888**	86,558
More than five years	**279,157**	298,632
	392,473	409,540

The Company has entered into finance leases for the use of computer equipment and software, telephones, furniture, and broadcast equipment. The leases range between three and five years and bear interest rates varying from 4.1% to 7.0%. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2013		2012	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	**2,556**	**2,147**	7,529	7,252
After one year but not more than five years	**3,247**	**3,098**	1,906	1,839
Total minimum lease payments	**5,803**	**5,245**	9,435	9,091
Less amounts representing finance charges	**558**	**—**	344	—
Present value of minimum lease payments	**5,245**	**5,245**	9,091	9,091

PURCHASE COMMITMENTS

The Company has entered into various agreements for the right to broadcast or distribute certain film, television and radio programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films, television and radio programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately $446,492 (2012 - $509,489). In addition, the Company has commitments of nil (2012 - $50) for future television script production.

The Company has commitments related to trade marks and certain other intangible rights until October 2018 for a total of approximately $19,942 (2012 - $22,540). The Company has certain additional annual commitments, some of which are contingent on performance, to pay royalties for trade mark rights. In addition, the Company has licenses and other commitments over the next five years to use specific software, signal and satellite functions of approximately $40,352 (2012 - $34,653). Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

LITIGATION

The Company, its subsidiaries and joint ventures are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

OTHER MATTERS

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, include indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable, as certain indemnifications are not subject to a monetary limitation. As at August 31, 2013, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company and its subsidiaries.

29. RELATED PARTY TRANSACTIONS

CONTROLLING SHAREHOLDER

JR Shaw and members of his family and the corporations owned and/or controlled by JR Shaw and members of his family (the "Shaw Family Group") own a majority of the outstanding Class A Shares of the Company. The Class A shares are the only shares entitled to vote in all shareholder matters. All of the Class A Shares held by the Shaw Family Group are subject to a voting trust agreement entered into by such persons. The voting rights with respect to such Class A Shares are exercised by the representative of a committee of five trustees. Accordingly, the Shaw Family Group is, and as long as it owns a majority of the Class A Shares will continue to be, able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A shareholders. The Shaw Family Group is represented by Directors of the Company.

The Shaw Family Group is also the controlling shareholder of Shaw Communications Inc. ("Shaw"). As a result, Shaw and Corus are subject to common voting control.

SIGNIFICANT SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The following table includes the significant subsidiaries and jointly controlled entities of the Company:

		Percentage ownership	
Name	**Jurisdiction**	**2013**	2012
Corus Premium Television Ltd.	Canada	**100%**	100%
Corus Radio Company	Nova Scotia	**100%**	100%
Country Music Television Ltd.	British Columbia	**80%**	80%
Encore Avenue Ltd.	Alberta	**100%**	100%
Movie Central Ltd.	Alberta	**100%**	100%
Nelvana Limited	Ontario	**100%**	100%
Telelatino Network Inc.	Canada	**50.5%**	50.5%
TELETOON Canada Inc.	Canada	**50%**	50%
OWN Inc.	Ontario	**100%**	100%
W Network Inc.	Canada	**100%**	100%
YTV Canada Inc.	Canada	**100%**	100%

TRANSACTIONS

The Company has transacted business in the normal course with Shaw and with entities over which the Company exercises significant influence and joint control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

SHAW COMMUNICATIONS INC. ("SHAW")

The Company and Shaw are subject to common voting control. During the year the Company received cable subscriber, programming and advertising fees of $119,460 (2012 - $123,878), production and distribution revenues of $3,000 (2012 - nil) from Shaw. In addition, the Company paid cable and satellite system distribution access fees of $4,605 (2012 - $4,313) and administrative and other fees of $1,534 (2012 - $4,131) to Shaw. At August 31, 2013, the Company had $21,541 (2012 - $23,099) receivable from Shaw, which does not include the non-interest bearing promissory note receivable from Shaw of $47,759 (note 27).

The Company provided Shaw with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

SPECIALTY CHANNELS

During the year, the Company received administrative and other fees of $7,739 (2012 - $7,285) from its non-wholly owned specialty channels including ABC Spark, CMT, Cosmo, TELETOON, and TLN. At August 31, 2013, the Company had $853 (2012 - $894) receivable from these entities.

EMPLOYEE BENEFITS

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes up to 5% of an employee's earnings, not exceeding the limits set by the Income Tax Act (Canada). The amount contributed in fiscal 2013 related to the defined contribution plan was $5,822 (2012 - $5,805). The amount contributed is approximately the same as the expense included in the consolidated statements of income and comprehensive income.

The Company maintains four defined benefit plans ("DBPs") and two supplementary executive retirement plans which provide pension benefits to certain of its employees in Canada that are included in long-term employee obligations (note 14). The four DBPs are funded plans with pension benefits calculated based on a combination of years of service and compensation levels.

The two supplementary executive retirement plans ("SERP" and "CEO SERP") are unfunded defined benefit plans, which provide post-retirement income. Benefits under these plans are based on the employee's highest three-year average rate of base pay and, in the case of the CEO SERP, base pay plus 50% of bonus at target, during their most recent 10 years of service, accrued starting from the date of the implementation of the plan, and currently include a benefit for past service.

The net defined benefit obligation, as determined by independent actuaries as at August 31, 2013 amounted to $12,186 (2012 - $11,814). The net benefit expense included in the consolidated statements of income for the year amounted to $1,383 (2012 - $1,269). The net actuarial gain recognized in the consolidated statements of comprehensive income for the year amounted to $616 (2012 - $2,950 actuarial loss). The remaining change in the liability relates to contributions made in the year. The discount rate used to measure obligations was between 3.25% and 4.8% (2012 - 3.5% to 4.7%).

KEY MANAGEMENT PERSONNEL

Key management personnel consist of the Board of Directors and the Company's Officers who have the authority and responsibility for planning, directing and controlling the activities of the Company.

Included in other investments (note 5) and share capital (note 15) is a loan of $210 (2012 - $230) made to the Chief Executive Officer of the Company for housing purposes prior to July 31, 2002. The loan is collateralized by charges on the officers' personal residence. The loan is non-interest bearing and is due October 31, 2022.

Key management personnel compensation, including the Officers and Directors of the Company, is as follows:

	2013	2012
Salaries and benefits	**9,010**	8,448
Post-employment benefits	**1,435**	1,330
Share-based compensation (*note 15)*	**7,047**	15,342
	17,492	25,120

Except for the President and Chief Executive Officer, no other Officer of the Company has an employment agreement or any other contractual arrangement in place with the Company in connection with any termination or change-of-control event, other than the conditions provided in the compensation plans of the Company. Generally, severance entitlements, including short-term incentives, payable to the Company's Officers other than the President and Chief Executive Officer, would be determined in accordance with applicable common law requirements. Long-term incentive plans, such as stock options, are exercisable if vested, while PSUs, DSUs, RSUs and SERP, would be payable if vested.

The employment agreement with the President and Chief Executive Officer provides for a severance payment if the executive's employment is terminated without cause or change of control: equal to two times the aggregate amount of his annual salary and short-term incentive bonus at target; a provision for the vesting of all previously awarded but unvested stock options; all PSUs and DSUs would be payable if vested; and the CEO SERP would vest immediately and accrue two years of additional service to a maximum age of 62.

ENTERTAINMENT

CORUS ENTERTAINMENT INC.

Stock Exchange Listing and Trading Symbol
Toronto Stock Exchange
TSX: CJR.B

Registered Office
1500, 850-2nd Street SW
Calgary, Alberta T2P 0R8

Executive Office
Corus Quay
25 Dockside Drive
Toronto, Ontario M5A 0B5
Telephone: 416.479.7000
Facsimile: 416.479.7007

Website
www.corusent.com

Auditors
Ernst & Young LLP

Primary Bankers
The Toronto-Dominion Bank

Shareholder Services
For assistance with the following:

- Change of address
- Transfer or loss of share certificates
- Dividend payments or direct deposit of dividends
- Dividend Reinvestment Plan

please contact our ***Transfer Agent and Registrar***:
CST Trust Company
PO Box 700, Station B
Montreal, Quebec H3B 3K3
Telephone: 1.800.387.0825
Facsimile:
1.888.249.6189 (in North America)
514.985.8843 (outside North America)
www.canstockta.com

Dividend Information
Corus Entertainment pays its dividend on a monthly basis and all dividends are "eligible" dividends for Canadian tax purposes unless indicated otherwise.

For further information on the dividend, including the latest approved dividends and historical dividend information, please visit the Investor Relations section of Corus Entertainment's website (www.corusent.com).

Dividend Reinvestment Plan ("DRIP")
CST Trust Company acts as administrator of Corus Entertainment's Dividend Reinvestment Plan, which is available to its registered Class A and Class B Shareholders residing in Canada. To review the full text of the Plan and obtain an enrollment form, please visit the Plan Administrator's website at www.canstockta.com or contact them at 1.800.387.0825.

Corporate Governance
The Board of Directors of the Company endorses the principles that sound corporate governance practices ("Corporate Governance Practices") are important to the proper functioning of the Company and the enhancement of the interests of its shareholders.

The Company's Statement of Corporate Governance Practices as they compare to the CSA Guidelines on Corporate Governance, and the Charter of the Board of Directors may be found in the Company's most recently filed Management Information Circular and in the Investor Relations section of Corus Entertainment's website (www.corusent.com).

Further Information
Financial analysts, portfolio managers, other investors and interested parties may contact Corus Entertainment at 416.479.7000 or visit Corus Entertainment's website (www.corusent.com).

Corus Entertainment's Annual Reports, Annual Information Forms, Management Information Circulars, quarterly financial reports, press releases, investor presentations and other relevant materials are available in the Investor Relations section of Corus Entertainment's website (www.corusent.com).

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Director, Communications at 416.479.7007.

Annual General Meeting
January 14, 2014
2 p.m. ET
Corus Entertainment
Corus Quay
25 Dockside Drive
Toronto, Ontario M5A 0B5

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